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As filed with the Securities and Exchange Commission on March 5, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _________

Commission file number: 1-13546

STMicroelectronics N.V.

(Exact name of registrant as specified in its charter)

Not Applicable	**The Netherlands**
(Translation of registrant's name into English)	**(Jurisdiction of incorporation or organization)**

WTC Schiphol Airport
Schiphol Boulevard 265
1118 BH Schiphol
The Netherlands
(Address of principal executive offices)

Carlo Bozotti
39, chemin du Champ des Filles
1228 Plan-Les-Ouates
Geneva
Switzerland
Tel: +41 22 929 29 29
Fax: +41 22 929 29 88
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common shares, nominal value €1.04 per share	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

890,606,763 common shares at December 31, 2013

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐	
Non-accelerated filer	☐	Smaller reporting company	☐	(Do not check if a smaller reporting company)

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒	International Financial Reporting Standards as issued by the International Accounting Standards Board ☐	Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this annual report on Form 20-F (the "Form 20-F"), references to "we", "us" and "Company" are to STMicroelectronics N.V. together with its consolidated subsidiaries, references to "EU" are to the European Union, references to "€" and the "Euro" are to the Euro currency of the EU, references to the "United States" and "U.S." are to the United States of America and references to "$" and to "U.S. dollars" are to United States dollars. References to "mm" are to millimeters and references to "nm" are to nanometers.

We have compiled market size and ST market share data in this annual report using statistics and other information obtained from several third-party sources. Except as otherwise disclosed herein, all references to trade association data are references to World Semiconductor Trade Statistics ("WSTS"). Certain terms used in this annual report are defined in "Certain Terms".

We report our financial statements in U.S. dollars and prepare our Consolidated Financial Statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). We also report certain non-U.S. GAAP financial measures (free cash flow and net financial position), which are derived from amounts presented in the financial statements prepared under U.S. GAAP. Furthermore, we are required by Dutch law to report our Statutory and Consolidated Financial Statements, in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union. The IFRS financial statements are reported separately and can differ materially from the statements reported in U.S. GAAP.

Various amounts and percentages used in this Form 20-F have been rounded and, accordingly, they may not total 100%.

We and our affiliates own or otherwise have rights to the trademarks and trade names, including those mentioned in this annual report, used in conjunction with the marketing and sale of our products.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Form 20-F that are not historical facts, particularly in "Item 3. Key Information — Risk Factors", "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects" and "— Business Outlook" are statements of future expectations and other forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended) that are based on management's current views and assumptions, and are conditioned upon and also involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in such statements due to, among other factors:

- 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;
- government decisions regarding funding for our R&D programs;
- future events or circumstances, which may have an impact on the timing and final cost of the wind-down of the ST-Ericsson joint venture;
- the loading and the manufacturing performance 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, tsunami, 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; and
- 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”. 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 Form 20-F 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 Form 20-F 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.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected Financial Data

The table below sets forth our selected consolidated financial data for each of the years in the five-year period ended December 31, 2013. Such data have been derived from our audited Consolidated Financial Statements. Audited Consolidated Financial Statements for each of the years in the three-year period ended December 31, 2013, including the Notes thereto (collectively, the "Consolidated Financial Statements"), are included elsewhere in this Form 20-F, while data for prior periods have been derived from our audited Consolidated Financial Statements used in such periods.

The following information should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and the audited Consolidated Financial Statements and the related Notes thereto included in "Item 18. Financial Statements" in this Form 20-F.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In millions except per share and ratio data)				
Consolidated Statements of Income Data:					
Net sales	8,050	$ 8,380	$ 9,630	$10,262	$ 8,465
Other revenues	32	113	105	84	45
Net revenues	8,082	8,493	9,735	10,346	8,510
Cost of sales	(5,468)	(5,710)	(6,161)	(6,331)	(5,884)
Gross profit	2,614	2,783	3,574	4,015	2,626
Operating expenses:					
Selling, general and administrative	(1,066)	(1,166)	(1,210)	(1,175)	(1,159)
Research and development[(1)]	(1,816)	(2,413)	(2,352)	(2,350)	(2,365)
Other income and expenses, net[(2)]	95	91	109	90	166
Impairment, restructuring charges and other related closure costs	(292)	(1,376)	(75)	(104)	(291)
Total operating expenses	(3,079)	(4,864)	(3,528)	(3,539)	(3,649)
Operating income (loss)	(465)	(2,081)	46	476	(1,023)
Other-than-temporary impairment charge and realized gains (losses) on financial assets	—	—	318	—	(140)
Interest income (expense), net	(5)	(35)	(25)	(3)	9
Income (loss) on equity-method investments and gain on investment divestiture	(122)	(24)	(28)	242	(337)
Gain (loss) on financial instruments, net	—	3	25	(24)	(5)
Income (loss) before income taxes and noncontrolling interest	(592)	(2,137)	336	691	(1,496)
Income tax benefit (expense)	(37)	(51)	(181)	(149)	95
Net income (loss)	(629)	(2,188)	155	542	(1,401)
Net loss (income) attributable to noncontrolling interest	129	1,030	495	288	270
Net income (loss) attributable to parent company	(500)	(1,158)	650	830	(1,131)
Earnings per share (basic) attributable to parent company stockholders	(0.56)	(1.31)	0.74	0.94	(1.29)
Earnings per share (diluted) attributable to parent company stockholders	(0.56)	(1.31)	0.72	0.92	(1.29)
Number of shares used in calculating earnings per share (basic)	889.5	886.7	883.6	880.4	876.9
Number of shares used in calculating earnings per share (diluted)	889.5	886.7	904.5	911.1	876.9

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In millions except per share and ratio data)				
Consolidated Balance Sheets Data (end of period):					
Cash and cash equivalents	1,836	2,250	1,912	1,892	1,588
Short-term deposits	1	1	—	67	—
Marketable securities	57	238	413	1,052	1,032
Restricted cash	—	4	8	7	250
Non-current marketable securities	—	—	—	72	42
Total assets	9,173	10,434	12,094	13,349	13,655
Short-term debt	225	630	733	720	176
Long-term debt (excluding current portion)(3)	928	671	826	1,050	2,316
Total parent company stockholders' equity(4)	5,643	6,225	7,603	7,587	7,147
Common stock and capital surplus	3,737	3,711	3,700	3,671	3,637
Other Data:					
Dividend per share(5)	0.40	0.40	0.40	0.28	0.12
Capital expenditures(6)	531	476	1,258	1,034	451
Net cash from operating activities	366	612	880	1,794	816
Depreciation and amortization	910	1,107	1,279	1,240	1,367
Debt-to-equity ratio(7)	$ 0.20	$ 0.21	$ 0.21	$ 0.23	$ 0.35

(1) Our reported research and development expenses ("R&D") are mainly in the areas of product design and technology development. They do not include marketing design center costs, which are accounted for as selling expenses, or process engineering, pre-production and process-transfer costs, which are accounted for as cost of sales. Our R&D expenses are net of certain tax credits.

(2) "Other income and expenses, net" includes, among other things: funds received through government agencies for research and development programs; costs incurred for start-up and phase-out activities not involving saleable production; foreign currency gains and losses; gains on sales of businesses and non-current assets; and the costs of certain activities relating to IP protection.

(3) We repurchased a portion of our 2016 convertible bonds ("2016 Convertible Bonds") during 2009 (98,000 bonds for a total cash consideration of $103 million), 2010 (385,830 bonds for a total cash consideration of $410 million), 2011 (289,768 bonds for a total cash consideration of $314 million of which 41,123 convertible bonds were redeemed by certain holders on February 23, 2011) and 2012 (200,402 bonds for a total cash consideration of $219 million of which 190,131 convertible bonds were redeemed by certain holders on February 23, 2012). Our 2016 Convertible Bonds were fully redeemed in the second quarter of 2012. We also repurchased a portion of our 2013 senior bonds ("2013 Senior Bonds") in 2010 and 2011 for an amount of $98 million and $107 million, respectively. On March 17, 2013, we repaid with available cash the residual Euro 350 million outstanding 2013 Senior Bonds.

(4) Certain shares that we repurchased in prior periods have been designated for allocation under our share-based compensation programs as unvested shares, including the plans as approved by the 2005 through 2013 annual general meetings of shareholders, and those which may be attributed in the future. As of December 31, 2013, 22,823,678 shares had been transferred to employees upon the vesting of such stock awards. As of December 31, 2013, we owned 20,096,542 treasury shares.

(5) Dividend per share represents the dividend on an annualized basis, as approved by our general meetings of shareholders, which relates to the prior years' accounts.

(6) Capital expenditures are net of proceeds from sale and certain funds received through government agencies, the effect of which is to reduce our cash used in investing activities and to decrease depreciation.

(7) Debt-to-equity ratio is the ratio between our total financial debt (bank overdrafts, short-term debt and long-term debt) and our total parent company stockholder's equity.

Risks Related to the Semiconductor Industry which Impact Us

The semiconductor industry is cyclical and downturns in the semiconductor industry can negatively affect our results of operations and financial condition.

The semiconductor industry is cyclical and has been subject to significant downturns at various times, impacted by global economic conditions. Downturns are typically characterized by reduction in overall demand, accelerated erosion of selling prices, reduced revenues and high inventory levels, which could result in a significant deterioration of our results of operations. Furthermore, downturns may be the result of industry-specific factors, such as built-in excess capacity, product obsolescence, price erosion and changes in end-customer demand. Such macroeconomic trends relate to the semiconductor industry as a whole and not necessarily to the individual semiconductor markets to which we sell our products. The negative effects on our business from industry downturns may also be increased to the extent that such downturns are concurrent with the timing of new increases in production capacity or the introduction of new advanced technologies in our industry. We have experienced revenue volatility and market downturns in the past and expect to experience them in the future, which could have a material adverse impact on our results of operations and financial condition.

In the event of a global or regional economic slowdown impacting business and consumer confidence, the demand for semiconductor products can decline precipitously. As a result, our business, financial conditions and results of operations have been affected in the past and could also be affected in the future. To the extent that the economic environment in which we conduct our operations worsens, our business, financial condition and results of operations could be significantly and adversely affected.

In particular, economic downturns affecting the semiconductor industry may result in a variety of risks that could significantly affect our business, including:

- declines in revenues;
- reductions in selling prices;
- underutilization of manufacturing capacity;
- deterioration of our gross margins, profitability and net cash flow;
- increased volatility and/or declines in our share price;
- increased volatility or adverse movements in foreign currency exchange rates;
- delays in, or curtailment of, purchasing decisions by our customers or potential customers either as a result of overall economic uncertainty or as a result of their inability to access the liquidity necessary to engage in purchasing initiatives or new product development;
- closure of our wafer fabrication plants (“fabs”) and associated restructuring plans;
- lower valuations of our equity-method investments and lower valuations on our divestitures or our exit from joint ventures;
- downgrade of our corporate credit ratings / outlook from one or more independent rating agencies, which may negatively impact our ability to access additional liquidity;
- increased credit risk associated with our customers or potential customers, particularly those that may operate in industries most affected by the economic downturn; and
- impairment of goodwill or other assets associated with our product segments.

We may not be able to match our production capacity to demand.

As a result of the cyclicality and volatility of the semiconductor industry, it is difficult to predict future developments in the markets we serve, making it hard to estimate requirements for production capacity. If markets, major customers or certain product designs or technologies do not perform as we have anticipated, we risk underutilization of our facilities or the manufacturing of excess inventories, in the event of overestimated demand or having insufficient capacity to meet customer demand in the event of underestimated demand.

The net increase of manufacturing capacity, defined as the difference between capacity additions and capacity reductions, may exceed demand requirements, leading to overcapacity and price erosion. If the semiconductor market or major customers do not grow as we anticipated when making investments in production capacity, we risk overcapacity and related unused capacity charges. In addition, if demand for our products is lower than expected, this may result in write-offs of inventories and losses on products, and could require us to undertake restructuring measures that may involve significant charges to our earnings. In the past, overcapacity for certain products or technologies and cost optimization initiatives have led us to close manufacturing facilities and, as a result, to incur significant impairment and restructuring charges and other related closure costs. Furthermore, during certain periods, we have also experienced an increasing demand in certain market segments and product technologies, which has led to a shortage of capacity and an increase in the lead times of our delivery to customers. See “Item 5. Operating and Financial Review and Prospects — Results of Operations — Impairment, restructuring charges and other related closure costs”.

Competition in the semiconductor industry is intense, and we may not be able to compete successfully if our product design technologies, process technologies and products do not meet market requirements or if we are unable to obtain the necessary IP.

We compete in different product lines to various degrees on the following characteristics:

- price;
- technical performance;
- product features;
- product system compatibility;
- product design and technology;
- timely introduction of new products;
- product availability;
- process technology;
- manufacturing capabilities; and
- sales and technical support.

Given the intense competition in the semiconductor industry, if our products are not selected based on any of the above factors, our business, financial condition and results of operations could be materially adversely affected.

We face significant competition in each of our product lines. Similarly, many of our competitors also offer a large variety of products. Some of our competitors may have greater financial and/or more focused research and development ("R&D") resources than we do. If these competitors substantially increase the resources they devote to developing and marketing products that compete with ours, we may not be able to compete successfully. Any consolidation among our competitors could also enhance their product offerings, manufacturing efficiency and financial resources, further strengthening their competitive position.

As we are a supplier of a broad range of products, we are required to make significant investments in R&D across our product portfolio in order to remain competitive. Many of the resulting products that we market have short life cycles, with some being one year or less. Economic conditions may impair our ability to maintain our current level of R&D investments and, therefore, we may need to become more focused in our R&D investments across our broad range of product lines. On December 10, 2012, we announced our strategic plan, centered on leadership in Sense & Power and Automotive Products and in Embedded Processing Solutions, specifically focusing on five product areas: MEMS and sensors, smart power, automotive products, microcontrollers, and digital consumer and ASICs. However, there can be no assurance that we will successfully compete in each product area when our competitors' R&D investments could be more effective than ours.

We regularly devote substantial resources to winning competitive selection processes, known as "product design wins", to develop products for use in our customers' equipment and products. These selection processes can be lengthy and can require us to incur significant design and development expenditures, with no guarantee of winning or generating revenue. Delays in developing new products with anticipated technological advances or in commencing volume shipments of new products as well as failure to win new design projects for customers may have an adverse effect on our business. In addition, there can be no assurance that new products, if introduced, will gain market acceptance or will not be adversely affected by new technological changes or new product announcements from other competitors that may have greater efficiency, focus or financial resources. For additional information, see "Item 5. Operating and Financial Review and Prospects — Critical Accounting Policies Using Significant Estimates — Impairment of goodwill" and "— Intangible assets subject to amortization".

Even after obtaining a product design win from one of our customers, we may still experience delays in generating revenue from our products as a result of our customers' or our lengthy development and design cycle. In addition, a major change, delay or cancellation of a customer's plans could significantly adversely affect our financial results, as we may have incurred significant expense and generated no revenue at the time of such change, delay or cancellation. Finally, if our customers fail to successfully market and sell their own products, it could materially adversely affect our business, financial condition and results of operations as the demand for our products falls.

We also regularly incur costs to develop IP internally or acquire it from third parties without any guarantee of realizing the anticipated value of such expenditures if our competitors develop technologies that are more accepted than ours, or if market demand does not materialize as anticipated. In addition to amortization expenses relating to purchased IP, the value of these assets may be subject to impairment with associated charges being made to our Consolidated Financial Statements. There is no assurance that our IP purchases will be successful and will not lead to impairments and associated charges.

The competitive environment of the semiconductor industry as well as the resulting consolidation and vertical integration at the customer level may lead to erosion of our market share, impact our capacity to compete and require us to restructure.

The intensely competitive environment of the semiconductor industry and the high costs associated with developing marketable products and manufacturing technologies as well as investing in production capabilities may lead to further changes, including consolidation and vertical integration, in the industry. Consolidation can allow a company to further benefit from economies of scale, provide improved or more diverse product portfolios and increase the size of its serviceable market.

Our sales have, at times, evolved at a slower pace than the semiconductor industry as a whole and our market share has declined, even in relation to the markets we served. While, in 2013, we gained market share in the markets we serve, there is no assurance that we will be able to maintain or grow our market share if we are unable to accelerate product innovation, identify new applications for our products, further penetrate and extend our customer base and realize manufacturing improvements. In recent years the major growth of the semiconductor industry has been in Asia, supported also by more competitive production costs, resulting in a more competitive environment. We may also incur losses of market share if we are unable to take the required measures to improve our cost structure and competitiveness in the semiconductor market, such as seeking more competitive sources of production, discontinuing certain products or performing additional restructurings, which in turn may result in loss of revenues, asset impairments, unused capacity charges and/or capital losses.

The semiconductor industry may also be impacted by changes in the political, social or economic environment, including as a result of military conflict, social unrest and/or terrorist activities, as well as natural events such as severe weather, health risks, epidemics or earthquakes in the countries in which we, our key customers and our suppliers, operate.

We may face greater risks due to the international nature of our business, including in the countries where we, our customers or our suppliers operate, such as:

- negative economic developments in global economies and instability of foreign governments, including the threat of war, terrorist attacks or civil unrest;
- epidemics such as disease outbreaks, pandemics and other health related issues;
- changes in laws and policies affecting trade and investment, including through the imposition of new constraints on investment and trade; and
- varying practices of the regulatory, tax, judicial and administrative bodies.

Risks Related to Our Operations

Market dynamics have driven, and continue to drive us, to a strategic repositioning.

In recent years, we have undertaken several new initiatives to reposition our business, both through divestitures and new investments. Our strategies to improve our results of operations and financial condition led us, and may in the future lead us, to acquire businesses that we believe to be complementary to our own, or to divest ourselves of activities that we believe do not serve our longer term business plans. Our potential acquisition strategies depend in part on our ability to identify suitable acquisition targets, finance their acquisition and obtain required regulatory and other approvals. Our potential divestiture strategies depend in part on our ability to compete and to identify the activities in which we should no longer engage, and then determine and execute appropriate methods to divest of them.

We are constantly monitoring our product portfolio and cannot exclude that additional steps in this repositioning process may be required; further, we cannot assure that any strategic repositioning of our business, including executed and possible future acquisitions, dispositions or joint ventures, will be successful and may not result in further impairment and associated charges.

Acquisitions and divestitures involve a number of risks that could adversely affect our operating results, including the risk that we may be unable to successfully integrate businesses or teams we acquire with our culture and strategies on a timely basis or at all, and the risk that we may be required to record charges related to the goodwill or other long-term assets associated with the acquired businesses. Changes in our expectations due to changes in market developments that we cannot foresee have in the past resulted in our writing off amounts associated with the goodwill of acquired companies, and future changes may require similar further write-offs in future periods. We cannot be certain that we will be able to achieve the full scope of the benefits we expect from a particular acquisition, divestiture or investment. Our business, financial condition and results of operations may suffer if we fail to coordinate our resources effectively to manage both our existing businesses and any acquired businesses. In addition, the financing of future acquisitions or divestitures may negatively impact our financial position and could require us to raise additional funding.

Other risks associated with acquisitions or joint ventures include:

- in the case of joint ventures, our ability to effectively control the joint venture when management acts independently;
- also in the case of joint ventures, our ability to plan and anticipate business and financial results which relies, for that portion of our business, on the joint venture's management ability to plan and anticipate business and financial results and their timely and accurate reporting to us;
- the diversion of management's attention;
- insufficient IP rights or issues concerning ownership of key IP;
- assumption of potential liabilities, disclosed or undisclosed, associated with the business acquired, which liabilities may exceed the amount of indemnification available from the seller;
- potential inaccuracies in the financials of the business acquired;
- the ability for businesses acquired or contributed to a joint venture to maintain the quality of products and services that we have historically provided;
- our ability to attract and retain qualified management for the acquired business or business contributed to a joint venture;
- our ability to retain customers of an acquired entity or business;
- employment issues and costs linked to restructuring plans; and
- the ability of the joint venture to succeed in a new business not associated with our core business.

Identified risks associated with divestitures include:

- loss of activities and technologies that may have complemented our remaining businesses or operations;
- loss of important services provided by key employees that are assigned to divested activities;
- impairment of goodwill and other assets associated with the business to be divested;
- employment issues and restructuring costs linked to divestitures and closures; and
- diversion of management's attention.

These and other factors may cause a materially adverse effect on our results of operations and financial condition.

Our strategic plan may be unsuccessful if we cannot respond to significant changes in the semiconductor market.

In late 2012, we announced our strategic plan centered on leadership in Sense & Power and Automotive Products and in Embedded Processing Solutions, which included, as part of this new plan, our decision to exit ST-Ericsson after a transition period and established a targeted operating margin of about 10%. The split-up of ST-Ericsson was completed in the third quarter of 2013 and we are in the process of finalizing its wind-down. There can be no assurance that we will successfully implement our strategic plan and achieve our new financial model, which is dependent upon solid revenue growth, improving gross margins and reducing our operating costs. Our success is contingent upon our ability to respond to the following significant changes currently characterizing the semiconductor market: the long-term structural growth of the overall market for semiconductor products, which has moved from double digit average annual growth to single digit average annual growth over the last several years and which has become more strongly correlated with the global macroeconomic environment; the acceleration of new product innovation and the strong development of new applications in areas such as smart consumer devices, trust and data security, healthcare & wellness, and energy and power management savings; the growing importance of the Asia Pacific region, particularly China and other emerging countries, which represent the fastest growing regional markets; the evolving customer demand to seek new system level, turnkey solutions from semiconductor suppliers; the evolution of the customer base, which also includes polarization and vertical integration at leading manufacturers; the expansion of available manufacturing capacity through third party providers; and the evolution of advanced process development R&D partnerships.

In difficult market conditions, our high fixed costs adversely impact our results.

In less favorable industry environments, we are driven to reduce prices in response to competitive pressures and we are also faced with a decline in the utilization rates of our manufacturing facilities due to decreases in product demand. Reduced average selling prices and demand for our products both adversely affect our results of operations. Since the semiconductor industry is characterized by high fixed costs, we are not always able to cut our total costs in line with revenue declines. Furthermore, in periods of lower customer demand for our products, our fabs do not operate at full capacity and the costs associated with the excess capacity are charged directly to cost of sales as unused capacity charges. We cannot guarantee that such market conditions, and increased competition in our core product markets, will not lead to further price erosion, lower revenue growth rates and lower margins.

Our financial results can be adversely affected by fluctuations in exchange rates, principally in the value of the U.S. dollar.

A significant variation of the value of the U.S. dollar against the principal currencies that have a material impact on us (primarily the Euro, but also certain other currencies of countries where we have operations, such as the Singapore dollar) could result in a favorable impact on our net income in the case of an appreciation of the U.S. dollar, or a negative impact on our net income if the U.S. dollar depreciates relative to these currencies, in particular with respect to the Euro. Currency exchange rate fluctuations affect our results of operations because our reporting currency is the U.S. dollar, in which we receive the major portion of our revenues, while, more importantly, we incur a significant portion of our costs in currencies other than the U.S. dollar. Certain significant costs incurred by us, such as a significant part of our manufacturing costs, selling, general and administrative (“SG&A”) expenses, and R&D expenses, and — in certain jurisdictions — depreciation charges are incurred in the currencies of the jurisdictions in which our operations are located, which mainly includes the Euro zone. Our effective average exchange rate, which reflects actual exchange rate levels combined with the impact of cash flow hedging programs, was $1.31 to €1.00 in 2013, the same as the effective average exchange rate for the full year of 2012.

In order to reduce the exposure of our financial results to the fluctuations in exchange rates, our principal strategy has been to balance as much as possible the proportion of sales to our customers denominated in U.S. dollars with the amount of purchases from our suppliers denominated in U.S. dollars and to reduce the weight of the other costs, including labor costs and depreciation, denominated in Euros and in other currencies. In order to further reduce our exposure to U.S. dollar exchange rate fluctuations, we have hedged certain line items on our consolidated statements of income (“Consolidated Statements of Income”), in particular with respect to a portion of the cost of goods sold, most of the R&D expenses and certain SG&A expenses located in the Euro zone. We also hedge certain manufacturing costs denominated in Singapore dollars. No assurance can be given that our hedging transactions will prevent us from incurring higher Euro-denominated manufacturing costs when translated into our U.S. dollar-based accounts in the event of a weakening of the U.S. dollar. See “Item 5. Operating and Financial Review and Prospects — Impact of Changes in Exchange Rates” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk”.

Our results of operations and financial condition could be adversely impacted by a negative resolution of economic conditions in Europe.

The financial markets and global economic conditions have been negatively impacted by the European economic crisis that began in 2010 and spread to several Euro zone countries, in particular Greece, Ireland, Italy, Portugal and Spain. This resulted in a sovereign liquidity crisis, with a significant increase in the interest rates on the national debt of several Euro zone countries and the downgrading of several sovereign debt ratings, which has contributed to a general slowdown of economic growth and higher debt levels. While it appears that the financial crisis in the Euro zone is beginning to ease, we cannot exclude a potential further deterioration of economic conditions, which could have a material adverse effect on our results given our significant operations and assets in Europe, in particular, our manufacturing activities in France, Italy and Malta.

Because we own manufacturing facilities, our capital needs are high compared to those competitors who do not produce their own products.

As a result of our choice to maintain control of a certain portion of our advanced and proprietary manufacturing technologies to better serve our customer base, significant amounts of capital to maintain or upgrade our facilities could be required in the future. We monitor our capital expenditures taking into consideration factors such as trends in the semiconductor market and capacity utilization. These expenditures may increase in the future if we are required to upgrade or expand the capacity of our manufacturing facilities in order to respond to customer demand for increased quantities or for new more advanced products in certain segments we serve. There is no assurance that future market demand and products required by our customers will meet our expectations. Failure to invest appropriately or in a timely manner could have a material adverse effect on our business, and results of operations. See “Item 5. Operating and Financial Review and Prospects — Liquidity and Capital Resources”.

We may also need additional funding in the coming years to finance our investments, to purchase other companies or technologies developed by third parties or to refinance our maturing indebtedness.

In an increasingly complex and competitive environment, we may need to invest in other companies, in IP and/or in technology developed either by us or by third parties to maintain or improve our position in the market or to complement or expand our existing business. The foregoing may require us to secure additional financing, including through the issuance of debt, equity or both. The timing and the size of any new share or bond offering would depend upon market conditions as well as a variety of factors. In addition, the capital markets may from time to time offer terms of financing that are particularly favorable. We cannot exclude that we may access the capital markets opportunistically to take advantage of market conditions. Any such transaction or any announcement concerning such a transaction could materially impact the market price of our common shares. If we are unable to access capital on acceptable terms, this may adversely affect our business and results of operations.

Our R&D efforts are expensive and dependent on technology alliances, and our business, results of operations and prospects could be materially adversely affected by the failure or termination of such alliances.

We are dependent on alliances to develop or access new technologies, particularly in light of the high levels of investment required for R&D activities, and there can be no assurance that these alliances will be successful.

Our R&D alliances provide us with a number of important benefits, including the sharing of risks and costs, reductions in our own capital requirements, acquisitions of technical know-how and access to additional production capacities. In addition, they contribute to the fast acceleration of semiconductor process technology development while allowing us to lower our development and manufacturing costs. However, there can be no assurance that alliances will be successful and allow us to develop and access new technologies in due time, in a cost-effective manner and/or to meet customer demands. Certain companies develop their own process technologies, which may be more advanced than the technologies we develop through our cooperative alliances. Furthermore, if these alliances terminate before our intended goals are accomplished we may lose our investment, or incur additional unforeseen costs, and our business, results of operations and prospects could be materially adversely affected. In addition, if we are unable to develop or otherwise access new technologies independently, we may fail to keep pace with the rapid technology advances in the semiconductor industry, our participation in the overall semiconductor industry may decrease and we may also lose market share in the markets addressed by our products.

To support our proprietary R&D for derivative technology investments and investments in cooperative R&D ventures such as the ISDA alliance, a technology alliance led by IBM, we have, in the past, benefited, and will continue to benefit in the future, from state funding. In 2013 we signed the Nano-2017 frame agreement (the “Nano-2017 agreement”) with the French government, covering the period from 2013 to 2017, which is subject to certain conditions. While we expect to receive public funding under this agreement, there is no guarantee that the program will be approved or if it is approved, that there will be no modifications that could negatively affect the R&D program, all of which could have a material adverse effect on our results of operations. See “Item 3. Key Information — Risk Factors — Risks Related to Our Operations — If we fail to receive the necessary funding for our R&D program, we may have to reconsider our strategy, which could adversely impact our results of operations.”

We also receive a material amount of R&D tax credits in France, which are directly linked to the amount spent for our R&D activities. In 2013, we booked $146 million, which reflected amounts relating to our R&D activities in France during 2013. In 2012 and 2011, the amounts were $152 million and $159 million, respectively. In the event of a change in the French R&D tax credit regime, this could affect our continued ability to invest in R&D as we currently do and we could experience a material adverse effect on our business and financial results.

If we fail to meet the condition and approval requirements applicable to public funding we have received in the past, we may face demands for repayment, which may increase our costs and impact our results of operations.

We have entered into public funding agreements in France and Italy, which set forth the parameters for state support to us under selected programs. These funding agreements require compliance with EU regulations and approval by EU authorities. These agreements also set forth certain conditions relating to the nature and amount of the investments, as well as employment. See "Item 4. Information on the Company — Public Funding".

The application for and implementation of such grants often involves compliance with extensive regulatory requirements including, in the case of subsidies to be granted within the EU, notification to the European Commission by the member state making the contemplated grant prior to disbursement and receipt of required EU approval. In addition, compliance with project-related ceilings on aggregate subsidies defined under EU law often involves highly complex economic evaluations. Furthermore, public funding arrangements are generally subject to annual and project-by-project reviews and approvals. If we fail to meet applicable formal or other requirements, we may under certain circumstances be required to refund previously received amounts, which could have a material adverse effect on our results of operations. In addition, if we do not complete projects for which public funding has been approved, or meet certain objectives set forth in funding programs, which may include certain conditions of employment and manufacturing capacity to be met, we may be required to repay any advances received for ongoing milestones, which may lead to a material adverse effect on our results of operations and our financial position. See "Item 4. Information on the Company — Public Funding".

If we fail to receive the necessary funding for our R&D program, we may have to reconsider our strategy, which could adversely impact our results of operations.

In certain product families, our strategy is based on technological excellence in advanced CMOS, which is R&D intensive. We plan to fund this R&D program with, among other resources, grants from the French government under the Nano-2017 agreement, which is currently subject to EU approval. If the approval from the EU is not received and, as a result, the program is not funded, our strategy with respect to the development of advanced CMOS technology would have to be reconsidered. While we expect to receive public funding under this agreement, there is no guarantee that the program will be approved or if it is approved, that there will be no modifications that could negatively affect the R&D program, all of which could have a material adverse effect on our results of operations.

Our operating results may vary significantly from quarter to quarter and annually and may differ significantly from our expectations or guidance.

Our operating results are affected by a wide variety of other factors that could materially and adversely affect revenues and profitability or lead to significant variability of operating results. These factors include, among others, capital requirements, inventory management, availability of funding, competition, new product developments, technological changes, manufacturing problems and effective tax rates. For example, if anticipated sales or shipments do not occur when expected, expenses and inventory levels in a given quarter can be disproportionately high, and our results of operations for that quarter, and potentially for future quarters, may be adversely affected.

A number of other factors could lead to fluctuations in quarterly and annual operating results, including:

- performance of our key customers in the markets they serve;
- order cancellations or reschedulings by customers;
- excess inventory held by customers leading to reduced bookings or product returns by key customers;
- manufacturing capacity and utilization rates;
- restructuring and impairment charges and other related closure costs;

- losses on equity-method investments;
- fluctuations in currency exchange rates, particularly between the U.S. dollar and other currencies in jurisdictions where we have activities;
- IP developments;
- receipt of governmental funding;
- changes in distribution and sales arrangements;
- failure to win new design projects;
- manufacturing performance and yields;
- product liability or warranty claims;
- litigation;
- taxation;
- acquisitions or divestitures;
- problems in obtaining adequate raw materials or production equipment on a timely basis;
- property loss or damage or interruptions to our business, including as a result of fire, natural disasters or other disturbances at our facilities or those of our customers and suppliers that may exceed the amounts recoverable under our insurance policies; and
- changes in the market value or yield of the financial instruments in which we invest our liquidity.

In periods of industry overcapacity or when our key customers encounter difficulties in their end markets, orders are more exposed to cancellations, reductions, price renegotiation or postponements, which in turn reduce our management's ability to forecast the next quarter or full year production levels, revenues and margins. For these reasons and others that we may not yet have identified, our revenues and operating results may differ materially from our expectations or guidance as visibility is reduced. See "Item 4. Information on the Company — Backlog".

Our business is dependent in large part on continued growth in the industries and segments into which our products are sold and on our ability to attract and retain new customers. A market decline in any of these industries or our inability to attract new customers could have a material adverse effect on our results of operations.

We derive and expect to continue to derive significant sales from the telecommunications, consumer, computer peripherals, automotive and industrial markets. Growth of demand in these market segments has fluctuated significantly in the past, and may in the future, based on numerous factors, including:

- spending levels of the market segment participants;
- reduced demand resulting from a drop in consumer confidence and/or a deterioration of general economic conditions;
- development of new consumer products or applications requiring high semiconductor content;
- evolving industry standards; and
- the rate of adoption of new or alternative technologies.

We cannot predict the rate, or the extent to which, the telecommunications, consumer, computer peripherals, automotive and industrial markets will grow. Changes in these markets, coupled with a lower penetration of certain of our customers could result in slower growth and a decline in demand for our products.

In addition, our spending on process and product development well ahead of market acceptance could have a material adverse effect on our business, financial condition and results of operations if projected industry growth rates do not materialize as forecasted.

Our business is dependent upon our ability to attract and retain new customers who are successful in identifying and serving new potential, fast-growing markets. The competition for such new customers or new markets is intense. There can be no assurance that we will be successful in attracting and retaining new customers or be able to identify early on any new market prospects. Our failure to do so could materially adversely affect our business, financial position and results of operations.

Our business is also dependent upon continuing to supply existing large customers, their business success and the fit of our product offering with their products road-map. Our customers' products strategy may change from time to time and we have no certainty that our business, financial position and results of operations will not be affected.

Disruptions in our relationships with any one of our key customers, and/or material changes in their strategy or financial condition, could adversely affect our results of operations.

A substantial portion of our sales is derived from several large customers, some of whom have entered into strategic agreements with us. We cannot guarantee that our largest customers will continue to book the same level of sales with us that they have in the past, or will not solicit alternative suppliers or will continue to succeed in the markets they serve. Many of our key customers operate in cyclical businesses that are also highly competitive, and their own demands and market positions may vary considerably. In recent years, certain customers of the semiconductor industry have experienced consolidation and have vertically integrated their businesses. Such consolidations and vertical integrations may impact our business in the sense that our relationships with the new entities could be either reinforced or jeopardized pursuant thereto. Our customers have in the past, and may in the future, vary order levels significantly from period to period, request postponements to scheduled delivery dates or modify their bookings. We cannot guarantee that we will be able to maintain or enhance our market share with our key customers or distributors. If we were to lose important design wins for our products with our key customers, or if any key customer or distributor were to reduce or change its bookings, seek alternate suppliers, increase its product returns or become unable or fail to meet its payment obligations, our business, financial condition and results of operations could be materially adversely affected. If customers do not purchase products made specifically for them, we may not be able to resell such products to other customers or require the customers who have ordered these products to pay a cancellation fee. Furthermore, developing industry trends, including customers' use of outsourcing and new and revised supply chain models, may reduce our ability to forecast the purchase date for our products and understand evolving customer demand, thereby affecting our revenues and working capital requirements. For example, pursuant to industry developments, some of our products are required to be delivered on consignment to customer sites with recognition of revenue delayed until the earlier of such moment when the customer chooses to take delivery of our products from our consignment stock and the expiry of a defined period of time.

Our operating results can also vary significantly due to impairment of goodwill and other intangible assets incurred in the course of acquisitions and equity investments, as well as to impairment of tangible assets due to changes in the business environment.

Our operating results can also vary significantly due to impairment of goodwill, other intangible assets and equity investments booked pursuant to acquisitions, joint venture agreements and the purchase of technologies and licenses from third parties. Because the market for our products is characterized by rapidly changing technologies, significant changes in the semiconductor industry, and the potential failure of our business initiatives, our future cash flows may not support the value of goodwill and other intangibles registered in our consolidated balance sheets ("Consolidated Balance Sheets"). We are required to perform an impairment test of our goodwill on an annual basis, which is done in the third quarter. In addition, we are also required to assess the carrying values of intangible and tangible assets when impairment indicators exist. As a result of such tests, we could be required to book an impairment charge in our consolidated statement of income if the carrying value in our Consolidated Balance Sheets is in excess of the fair value. The amount of any potential impairment is not predictable as it depends on our estimates of projected market trends, results of operations and cash flows. Any potential impairment, if required, could have a material adverse impact on our results of operations.

We performed our annual impairment test in the third quarter of 2013 and, with the exception of a $56 million impairment charge with respect to our Digital Convergence Group ("DCG") business, we incurred no other impairment charges as the fair value of those reporting units exceeded their carrying value. See "Item 5. Operating and Financial Review and Prospects — Overview — Critical Accounting Policies Using Significant Estimates — Impairment of goodwill", "— Intangible assets subject to amortization" and "— Income (loss) on Equity-method Investments".

We depend on patents to protect our rights to our technology and may face claims of infringing the IP rights of others.

We depend on our ability to obtain patents and other IP rights covering our products and their design and manufacturing processes. We intend to continue to seek patents on our inventions relating to product designs and manufacturing processes. However, the process of seeking patent protection can be long and expensive, and we cannot guarantee that we will receive patents from currently pending or future applications. Even if patents are issued, they may not be of sufficient scope or strength to provide meaningful protection or any commercial advantage. In addition, effective patent, copyright and trade secret protection may be unavailable or limited in some countries. Competitors may also develop technologies that are protected by patents and other IP and therefore either be unavailable to us or be made available to us subject to adverse terms and conditions. We have in the past used our patent portfolio to negotiate broad patent cross-licenses with many of our competitors enabling us to design, manufacture and sell semiconductor products, without fear of infringing patents held by such competitors. We may not, however, in the future be able to obtain such licenses or other rights to protect necessary IP on favorable terms for the conduct of our business, and such failure may adversely impact our results of operations.

We have from time to time received, and may in the future receive, communications alleging possible infringement of patents and other IP rights. Some of those claims are made by so called non-practicing entities against which we are unable to assert our own broad patent portfolio to lever licensing terms and conditions. Competitors with whom we do not have patent cross-license agreements may also develop technologies that are protected by patents and other IP rights and which may be unavailable to us or only made available on unfavorable terms and conditions. We may therefore become involved in costly litigation brought against us regarding patents, mask works, copyrights, trademarks or trade secrets. We are currently involved in several lawsuits. See “Item 8. Financial Information — Legal Proceedings”. IP litigation may also involve our customers who in turn may seek indemnification from us should we not prevail and/or who may decide to curtail their orders for those of our products over which claims have been asserted. Such lawsuits may therefore have a material adverse effect on our business. We may be forced to stop producing substantially all or some of our products or to license the underlying technology upon economically unfavorable terms and conditions or we may be required to pay damages for the prior use of third party IP and/or face an injunction.

The outcome of IP litigation, given the complex technical issues it involves, is inherently uncertain and may divert the efforts and attention of our management and other specialized technical personnel. Furthermore, litigation can result in significant costs and, if not resolved in our favor, could materially and adversely affect our business, financial condition and results of operations.

We operate in many jurisdictions with highly complex and varied tax regimes. Changes in tax rules or the outcome of tax assessments and audits could cause a material adverse effect on our results.

We operate in many jurisdictions with highly complex and varied tax regimes. Changes in tax rules or the outcome of tax assessments and audits could have a material adverse effect on our results in any particular quarter. Our tax rate is variable and depends on changes in the level of operating results within various local jurisdictions and on changes in the applicable taxation rates of these jurisdictions, as well as changes in estimated tax provisions due to new events. We currently receive certain tax benefits in some countries, and these benefits may not be available in the future due to changes in the local jurisdictions. As a result, our effective tax rate could increase in the coming years.

In line with our strategic repositioning of our product portfolio, the acquisition or divestiture of businesses in different jurisdictions could materially affect our effective tax rate.

We evaluate our deferred tax asset position and the need for a valuation allowance on a regular basis. This assessment requires the exercise of judgment on the part of our management with respect to, among other things, benefits that could be realized from available tax strategies and future taxable income, as well as other positive and negative factors. The ultimate realization of deferred tax assets is dependent upon, among other things, our ability to generate future taxable income that is sufficient to utilize loss carry-forwards or tax credits before their expiration or our ability to implement prudent and feasible tax planning strategies. The recorded amount of total deferred tax assets could be reduced, resulting in a loss in our consolidated income statement, a decrease in our total assets and, consequently, in our stockholders’ equity, if our estimates of projected future taxable income and benefits from available tax strategies are reduced as a result of a change in management’s assessment or due to other factors, such as divestitures, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of our ability to utilize tax loss and credit carry-forwards in the future. A change in the estimated amounts and the character of the future result may require additional valuation allowances, resulting in a negative impact on our consolidated income statement.

We are subject to the possibility of loss contingencies arising out of tax claims, assessment of uncertain tax positions and provisions for specifically identified income tax exposures. There are currently tax audits ongoing in certain of our jurisdictions, which could result in material adjustments in our tax position. There can be no assurance that we will be successful in resolving potential tax claims that arose or can arise from these audits. We have booked provisions on the basis of the best current understanding; however, we could be required to book additional provisions in future periods for amounts that cannot be assessed at this stage. Our failure to do so and/or the need to increase our provisions for such claims could have a material adverse effect on our consolidated income statement and our financial position.

Because we depend on a limited number of suppliers for raw materials and certain equipment, we may experience supply disruptions if suppliers interrupt supply, increase prices or experience material adverse changes in their financial condition.

Our ability to meet our customers' demand to manufacture our products depends upon obtaining adequate supplies of quality raw materials on a timely basis. A number of materials are available only from a limited number of suppliers, or only from a limited number of suppliers in a particular region. In addition, we purchase raw materials such as silicon wafers, lead frames, mold compounds, ceramic packages and chemicals and gases from a number of suppliers on a just-in-time basis, as well as other materials such as copper and gold whose prices on the world markets have fluctuated significantly during recent periods. Although supplies for the raw materials we currently use are adequate, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry. In addition, the costs of certain materials have increased due to market pressures and we may not be able to pass on such cost increases to the prices we charge to our customers. We also purchase semiconductor manufacturing equipment from a limited number of suppliers and, because such equipment is complex, it is difficult to replace one supplier with another or to substitute one piece of equipment for another. In addition, suppliers may extend lead times, limit our supply or increase prices due to capacity constraints or other factors. Furthermore, suppliers tend to focus their investments on providing the most technologically advanced equipment and materials and may not be in a position to address our requirements for equipment or materials of older generations. Although we work closely with our suppliers to avoid these types of shortages, there can be no assurance that we will not encounter these problems in the future. Our quarterly or annual results of operations would be adversely affected if we were unable to obtain adequate supplies of raw materials or equipment in a timely manner or if there were significant increases in the costs of raw materials or problems with the quality of these raw materials.

If our outside contractors fail to perform, this could adversely affect our ability to exploit growth opportunities.

We currently use outside contractors for a portion of our front and back-end activities. The foundries we contract with are primarily manufacturers of high-speed complementary metal-on silicon oxide semiconductor ("HCMOS") wafers, while our back-end subcontractors engage in the assembly and testing of a wide variety of packaged devices. If our outside suppliers are unable to satisfy our demand, or experience manufacturing difficulties, delays or reduced yields, our results of operations and ability to satisfy customer demand could suffer. Our internal manufacturing costs include depreciation and other fixed costs, while costs for products outsourced are based on market conditions. Prices for these services also vary depending on capacity utilization rates at our suppliers, quantities demanded, product technology and geometry. Furthermore, these outsourcing costs can vary materially from quarter to quarter and, in cases of industry shortages, they can increase significantly further, negatively impacting our gross margin and our results of operations.

Our manufacturing processes are highly complex, costly and potentially vulnerable to impurities, disruptions or inefficient implementation of production changes that can significantly increase our costs and delay product shipments to our customers.

Our manufacturing processes are highly complex, require advanced and increasingly costly equipment and are continuously being modified or maintained in an effort to improve yields and product performance. Impurities or other difficulties in the manufacturing process can lower yields, interrupt production or result in losses of products in process. As system complexity and production changes have increased and sub-micron technology has become more advanced using ever finer geometries, manufacturing tolerances have been reduced and requirements for precision have become even more demanding. Although in the past few years we have significantly enhanced our manufacturing capability in terms of efficiency, precision and capacity, we have from time to time experienced bottlenecks and production difficulties that have caused delivery delays and quality control problems, as is common in the semiconductor industry. We cannot guarantee that we will not experience bottlenecks, production or transition difficulties in the future. In addition, during past periods of high demand for our products, our manufacturing facilities have operated at high capacity, which has led to production constraints. Furthermore, if production at a manufacturing facility is interrupted, we may not be able to shift production to other facilities on a timely basis, or customers may purchase products from other suppliers. In either case, the loss of revenue and damage to the relationship with our customer could be significant.

We may be faced with product liability or warranty claims.

Despite our corporate quality programs and commitment, our products may not in each case comply with specifications or customer requirements. We may face product liability or warranty claims based on epidemic, security or delivery failures. Although our general practice, in line with industry standards, is to contractually limit our liability to the repair, replacement or refund of defective products, warranty or product liability claims could result in significant expenses relating to compensation payments or other indemnification to maintain good customer relationships if a customer threatens to terminate or suspend our relationship pursuant to a defective product supplied by us. No assurance can be made that we will be successful in maintaining our relationships with customers with whom we incur quality problems, which could have a material adverse effect on our business. Furthermore, we could incur significant costs and liabilities if litigation occurs to defend against such claims and if damages are awarded against us. In addition, it is possible for one of our customers to recall a product containing one of our parts. Costs or payments we may make in connection with warranty claims or product recalls may adversely affect our results of operations. There is no guarantee that our insurance policies will be available or adequate to protect us against such claims.

Our systems are subject to security breaches and other cybersecurity incidents.

We may, from time to time, experience cyber attacks of varying degrees, and as a result, unauthorized parties may have obtained, and may in the future obtain, access to our computer systems and networks. Such cyber attacks could result in the misappropriation of our proprietary information and technology, the compromise of personal and confidential information of our employees, customers or suppliers or interrupt our business. The reliability and security of our information technology infrastructure and software, and our ability to expand and continually update technologies in response to our changing needs is critical to our business. We may incur significant costs in order to implement, maintain and/or update security systems that we feel are necessary to protect our computer systems. To the extent that any disruptions or security breaches result in significant loss or damage to our data, or inappropriate disclosure of significant proprietary information, it could cause damage to our reputation and affect our relationships with our customers and suppliers and ultimately harm our business.

Some of our production processes and materials are environmentally sensitive, which could expose us to liability and increase our costs due to environmental regulations and laws or because of damage to the environment.

We are subject to many environmental laws and regulations wherever we operate that govern, among other things, the use, storage, discharge and disposal of chemicals, gases and other hazardous substances used in our manufacturing processes, air emissions, waste water discharges, waste disposal, as well as the investigation and remediation of soil and ground water contamination.

A number of environmental requirements in the European Union, including some that have only recently come into force, affect our business. See “Item 4. Information on the Company — Environmental Matters”. The implementation of such regulations could adversely affect our manufacturing costs or product sales by requiring us to acquire costly equipment, materials or greenhouse gas allowances, or to incur other significant expenses in adapting our manufacturing processes or waste and emission disposal processes. We are not in a position to quantify specific costs, in part because these costs are part of our business process. Furthermore, environmental claims or our failure to comply with present or future regulations could result in the assessment of damages or imposition of fines against us, suspension of production or a cessation of operations. As with other companies engaged in similar activities, any failure by us to control the use of, or adequately restrict the discharge of, chemicals or hazardous substances could subject us to future liabilities. Any specific liabilities we identify as probable would be reflected in our Consolidated Balance Sheets. To date, we have not identified any such probable liabilities and have therefore not booked reserves for any environmental risks.

Loss of key employees could hurt our competitive position.

As is common in the semiconductor industry, success depends to a significant extent upon our key senior executives and R&D, engineering, marketing, sales, manufacturing, support and other personnel. Our success also depends upon our ability to continue to attract, retain and motivate qualified personnel. The competition for such employees is intense, and the loss of the services of any of these key personnel without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on us.

Our major shareholders may sell our existing common shares or issue financial instruments exchangeable into our common shares at any time. In addition, substantial issuances by us of new common shares or convertible bonds could cause our common share price to drop significantly.

The STH Shareholders' Agreement, to which we are not a party, between respectively CEA, Bpifrance, FT1CI, our French Shareholder controlled by Bpifrance and CEA, and the Italian Ministry of the Economy and Finance ("Ministry of the Economy and Finance"), our Italian Shareholder, permits our respective French and Italian indirect shareholders to cause STMicroelectronics Holding N.V. ("ST Holding") to dispose of its stake in us at any time from their current level, thereby reducing the current level of their respective indirect interests in our common shares. Such disposals could be made by way of sales of our shares or through issuance of financial instruments exchangeable for our shares, equity swaps or structured finance transactions. The details of the STH Shareholders' Agreement, as reported by its parties, are further explained in "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders". An announcement with respect to one or more of such dispositions could be made at any time without our advance knowledge.

From time to time, the French or Italian Shareholder of ST Holding has changed and may change in future. For example, in 2013, the Ministry of the Economy and Finance announced its intent to sell its investment in ST Holding. Sales of our common shares or the issuance of financial instruments exchangeable into our common shares or any announcements concerning a potential sale by ST Holding, FT1CI, Bpifrance, CEA or the Ministry of the Economy and Finance, could materially impact the market price of our common shares depending on the timing and size of such sale, market conditions as well as a variety of other factors.

In addition, substantial issuances by us of new common shares or convertible bonds could cause our common share price to drop significantly as a result of substantial dilution in the percentage of our shares held by our then existing shareholders. The issuance of common stock for acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our shareholders, and might have an adverse effect on any trading market for our common stock.

Our shareholder structure and our preference shares may deter a change of control.

We have an option agreement (the "Option Agreement") with an independent foundation, Stichting Continuiteït ST (the "Stichting"), whereby we could issue a maximum of 540,000,000 preference shares in the event of actions considered hostile by our Managing Board and Supervisory Board, such as a creeping acquisition or an unsolicited offer for our common shares, which are unsupported by our Managing Board and Supervisory Board and which the board of the Stichting determines would be contrary to the interests of our Company, our shareholders and our other stakeholders. See "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders — Shareholders' Agreement — Preference Shares".

No preference shares have been issued to date. The effect of the issuance of preference shares pursuant to the Option Agreement may be to deter potential acquirers from effecting an unsolicited acquisition resulting in a change of control or otherwise taking actions considered hostile by our Managing Board and Supervisory Board. In addition, our shareholders have authorized us to issue additional capital within the limits of the authorization by our shareholders' meeting, subject to the requirements of our Articles of Association, without the need to seek a specific shareholder resolution for each capital increase. See "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders — Shareholders' Agreement — Preference Shares".

Our major shareholders may sell our existing common shares or issue financial instruments exchangeable into our common shares at any time. In addition, substantial issuances by us of new common shares or convertible bonds could cause our common share price to drop significantly.

The STH Shareholders' Agreement, to which we are not a party, between respectively CEA, Bpifrance, FT1CI, our French Shareholder controlled by Bpifrance and CEA, and the Ministry of the Economy and Finance, our Italian Shareholder, permits our respective French and Italian indirect shareholders to cause ST Holding to dispose of its stake in us at any time from their current level, thereby reducing the current level of their respective indirect interests in our common shares. Such disposals could be made by way of sales of our shares or through issuance of financial instruments exchangeable for our shares, equity swaps or structured finance transactions.

The details of the STH Shareholders' Agreement, as reported by its parties, are further explained in "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders". An announcement with respect to one or more of such dispositions could be made at any time without our advance knowledge.

Sales of our common shares or the issuance of financial instruments exchangeable into our common shares or any announcements concerning a potential sale by ST Holding, FT1CI, Bpifrance, CEA or the Ministry of the Economy and Finance, could materially impact the market price of our common shares depending on the timing and size of such sale, market conditions as well as a variety of other factors.

In addition, substantial issuances by us of new common shares or convertible bonds could cause our common share price to drop significantly as a result of substantial dilution in the percentage of our shares held by our then existing shareholders. The issuance of common stock for acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our shareholders, and might have an adverse effect on any trading market for our common stock.

We are required to prepare financial statements under IFRS and we also prepare Consolidated Financial Statements under U.S. GAAP, and such dual reporting may impair the clarity of our financial reporting.

We use U.S. GAAP as our primary set of reporting standards. Applying U.S. GAAP in our financial reporting is designed to ensure the comparability of our results to those of our competitors, as well as the continuity of our reporting, thereby providing our stakeholders and potential investors with a clear understanding of our financial performance. As we are incorporated in The Netherlands and our shares are listed on Euronext Paris and on the Borsa Italiana, we are subject to EU regulations requiring us to also report our results of operations and financial statements using IFRS.

As a result of the obligation to report our financial statements under IFRS, we prepare our results of operations using both U.S. GAAP and IFRS, which are currently not consistent. Such dual reporting can materially increase the complexity of our financial communications. Our financial condition and results of operations reported in accordance with IFRS will differ from our financial condition and results of operations reported in accordance with U.S. GAAP, which could give rise to confusion in the marketplace.

If our internal control over financial reporting fails to meet the requirements of Section 404 of the Sarbanes-Oxley Act, it may have a materially adverse effect on our stock price.

The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules that require us to include a management report assessing the effectiveness of our internal control over financial reporting in our annual report on Form 20-F. In addition, we must also include an attestation by our independent registered public accounting firm regarding the effectiveness of our internal control over financial reporting. We have successfully completed our Section 404 assessment and received the auditors' attestation as of December 31, 2013. However, in the future, if we fail to complete a favorable assessment from our management or to obtain an "unqualified" auditors' attestation, we may be subject to regulatory sanctions or may suffer a loss of investor confidence in the reliability of our financial statements, which could lead to an adverse effect on our stock price.

Because we are subject to the corporate law of The Netherlands, U.S. investors might have more difficulty protecting their interests in a court of law or otherwise than if we were a U.S. company.

Our corporate affairs are governed by our Articles of Association and by the laws governing corporations incorporated in The Netherlands. The corporate affairs of each of our consolidated subsidiaries are governed by the Articles of Association and by the laws governing such corporations in the jurisdiction in which such consolidated subsidiary is incorporated. The rights of the investors and the responsibilities of members of our Managing and Supervisory Boards under Dutch law are not as clearly established as under the rules of some U.S. jurisdictions. Therefore, U.S. investors may have more difficulty in protecting their interests in the face of actions by our management, members of our Supervisory Board or our controlling shareholders than U.S. investors would have if we were incorporated in the United States.

Our executive offices and a substantial portion of our assets are located outside the United States. In addition, ST Holding and most members of our Managing and Supervisory Boards are residents of jurisdictions other than the United States and Canada. As a result, it may be difficult or impossible for shareholders to effect service within the United States or Canada upon us, ST Holding, or members of our Managing or Supervisory Boards. It may also be difficult or impossible for shareholders to enforce outside the United States or Canada judgments obtained against such persons in U.S. or Canadian courts, or to enforce in U.S. or Canadian courts judgments obtained against such persons in courts in jurisdictions outside the United States or Canada. This could be true in any legal action, including actions predicated upon the civil liability provisions of U.S. securities laws. In addition, it may be difficult or impossible for shareholders to enforce, in original actions brought in courts in jurisdictions located outside the United States, rights predicated upon U.S. securities laws.

We have been advised by Dutch counsel that the United States and The Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. As a consequence, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws of the United States, will not be enforceable in The Netherlands. However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in The Netherlands, such party may submit to The Netherlands court the final judgment that has been rendered in the United States. If The Netherlands court finds that the jurisdiction of the federal or state court in the United States has been based on grounds that are internationally acceptable and that proper legal procedures have been observed, the court in The Netherlands would, under current practice, give binding effect to the final judgment that has been rendered in the United States unless such judgment contradicts The Netherlands' public policy.

Item 4. Information on the Company

History and Development of the Company

STMicroelectronics N.V. was formed and incorporated in 1987 and resulted from the combination of the semiconductor business of SGS Microelettronica (then owned by Società Finanziaria Telefonica (S.T.E.T.), an Italian corporation) and the non-military business of Thomson Semiconducteurs (then owned by the former Thomson-CSF, now Thales, a French corporation). We completed our initial public offering in December 1994 with simultaneous listings on the Bourse de Paris (now known as "Euronext Paris") and the New York Stock Exchange ("NYSE"). In 1998, we listed our shares on the Borsa Italiana S.p.A. ("Borsa Italiana"). Until 1998, we operated as SGS-Thomson Microelectronics N.V. We are organized under the laws of The Netherlands. We have our corporate legal seat in Amsterdam, The Netherlands, and our head offices at WTC Schiphol Airport, Schiphol Boulevard 265, 1118 BH Schiphol, The Netherlands. Our telephone number there is +31-20-654-3210. Our headquarters and operational offices are managed through our wholly owned subsidiary, STMicroelectronics International N.V., and are located at 39 Chemin du Champ des Filles, 1228 Plan-Les-Ouates, Geneva, Switzerland. Our main telephone number there is +41-22-929-2929. Our agent for service of process in the United States related to our registration under the U.S. Securities Exchange Act of 1934, as amended, is Corporation Service Company (CSC), 80 State Street, Albany, New York, 12207. Our operations are also conducted through our various subsidiaries, which are organized and operated according to the laws of their country of incorporation, and consolidated by STMicroelectronics N.V.

Business Overview

We are a global independent semiconductor company that designs, develops, manufactures and markets a broad range of semiconductor products used in a wide variety of applications, including automotive products, computer peripherals, telecommunications systems, consumer products, industrial automation and control systems. Semiconductors are the basic building blocks used to create an increasing variety of electronic products and systems. Since the invention of the transistor in 1948, continuous improvements in semiconductor process and design technologies have led to smaller, more complex and more reliable devices at a lower cost per function. As performance has increased and size and unitary cost have decreased, semiconductors have expanded beyond their original primary applications (i.e. computer systems) to applications such as telecommunication systems, consumer goods, automotive products and industrial automation and control systems. In addition, system users and designers have demanded systems with more functionality, higher levels of performance, greater reliability and shorter design cycle times, all in smaller packages at lower costs.

Our major customers include Apple, Blackberry, Bosch, Cisco, Conti, Hewlett-Packard, Nokia, Oberthur, Samsung, and Western Digital. We also sell our products through distributors and retailers, including Arrow Electronics, Avnet, Wintech and Yosun. The semiconductor industry has historically been cyclical and we have responded by emphasizing balance in our product portfolio, in the applications we serve and in the regional markets we address.

Although cyclical changes in production capacity in the semiconductor industry and demand for electronic systems have resulted in pronounced cyclical changes in the level of semiconductor sales and fluctuations in prices and margins for semiconductor products from time to time, the semiconductor industry has experienced substantial growth over the long-term. Factors that contribute to long-term growth include the development of new semiconductor applications, increased semiconductor content as a percentage of total system cost, emerging strategic partnerships and growth in the electronic systems industry.

We offer a broad and diversified product portfolio and develop products for a wide range of market applications to reduce our dependence on any single product, application or end market. Within our diversified portfolio, we have focused on developing products that leverage our technological strengths in creating customized, system-level solutions with high-growth digital and mixed-signal content. Our product families are comprised of differentiated application-specific products (we define as being our dedicated analog, mixed-signal and digital application-specific integrated circuits ("ASICs") and application-specific standard products ("ASSP") offerings and semi-custom devices) that are organized under our two product segments, which are: (i) Sense & Power and Automotive Products ("SP&A") comprised of Automotive ("APG"), Industrial & Power Discrete ("IPD"), Analog & MEMS ("AMS") and Other SP&A; and (ii) Embedded Processing Solutions ("EPS") comprised of Digital Convergence Group ("DCG"), Imaging, BiCMOS ASIC and Silicon Photonics ("IBP"), Microcontrollers, Memory & Security ("MMS"), Wireless ("WPS"), which are former ST-Ericsson legacy products, and Other EPS.

Our products are manufactured and designed using a broad range of manufacturing processes and proprietary design methods. We use all of the prevalent function-oriented process technologies, including CMOS, bipolar and nonvolatile memory technologies. In addition, by combining basic processes, we have developed advanced systems-oriented technologies that enable us to produce differentiated and application-specific products, including bipolar CMOS technologies ("BiCMOS") for mixed-signal applications, and diffused metal-on silicon oxide semiconductor ("DMOS") technology and bipolar, CMOS and DMOS ("BCD") technologies for intelligent power applications, MEMS and embedded memory technologies. This broad technology portfolio, a cornerstone of our strategy for many years, enables us to meet the increasing demand for System-on-Chip ("SoC") and System-in-Package ("SiP") solutions. Complementing this depth and diversity of process and design technology is our broad IP portfolio that we also use to enter into broad patent cross-licensing agreements with other major semiconductor companies.

Our principal investment and resource allocation decisions in the semiconductor business area are for expenditures on technology R&D as well as capital investments in front-end and back-end manufacturing facilities, which are planned at the corporate level; therefore, our product segments share common R&D for process technology and manufacturing capacity for some of their products.

For information on our segments and product lines, see "Item 5. Operating and Financial Review and Prospects — Results of Operations — Segment Information".

Results of Operations

For our 2013 Results of Operations, see "Item 5. Operating and Financial Review and Prospects — Results of Operations — Segment Information".

Strategy

ST is a global leader in the semiconductor market serving customers across the spectrum of Sense & Power and Automotive Products and Embedded Processing Solutions. From energy management and savings to trust and data security, from healthcare and wellness to smart consumer devices, in the home, car and office, at work and at play, ST is found everywhere microelectronics make a positive and innovative contribution to people's life. By getting more from technology to get more from life, ST stands for life augmented.

Our strategy, which we announced on December 10, 2012, takes into account the evolution of the markets we are in and the environment and opportunities we see in the years to come. It is based on our leadership in our two product segments, SP&A and EPS. Each segment is supported by a Sales & Marketing organization with a particular focus on our major accounts, as well as expanding our penetration of the mass market. Furthermore, we focus on five growth drivers: (i) Automotive Products, which make driving safer, greener and more entertaining; (ii) Digital Consumer and ASIC Products, which power the augmented digital lifestyle; (iii) MEMS and Sensors, which augment the consumer experience; (iv) Microcontrollers, which make everything smarter and more secure; and (v) Smart Power, which makes more of our energy resources. These product families are expected to experience solid growth rates driven by secular trends and are aligned with our market-leading positions and competitive advantages. Our innovative products in these areas, combined with our competitive technology and flexible and independent manufacturing capabilities, bring us even more opportunities to significantly grow and gain market share.

We continue to advance towards our target financial model including an operating margin of about 10%, expected by mid-2015, based on a combination of revenue growth, gross margin improvement and reduction of net expenses towards the low end of our target range.

Product Segments

In the Semiconductors business area, we design, develop, manufacture and market a broad range of products, including discrete and standard commodity components, application-specific integrated circuits ("ASICs"), full-custom devices and semi-custom devices and application-specific standard products ("ASSPs") for analog, digital and mixed-signal applications. In addition, we further participate in the manufacturing value chain of Smartcard products, which include the production and sale of both silicon chips and Smartcards. As of 2013, we also promote and market our existing products to the defense market.

In 2013, we ran our business along product lines and managed our revenues and internal operating performance based on the following product segments:

- Sense & Power and Automotive Products (SP&A), including the following product lines:
  - Automotive (APG);
  - Industrial & Power Discrete (IPD);
  - Analog & MEMS (AMS); and
  - Other SP&A;
- Embedded Processing Solutions (EPS), comprised of the following product lines:
  - Digital Convergence Group (DCG);
  - Imaging, BiCMOS ASIC and Silicon Photonics (IBP);
  - Microcontrollers, Memory & Security (MMS);
  - Wireless (WPS), which are former ST-Ericsson legacy products; and
  - Other EPS.

In 2013, we revised our results from prior periods in accordance with this segment structure. The preparation of segment information based on the current segment structure requires us to make estimates and assumptions in determining the operating income (loss) of the segments for the prior reporting periods. We believe that the revised 2012 and 2011 presentation is consistent with that of 2013 and we use these comparatives when managing our company. In the Subsystems business area, we design, develop, manufacture and market subsystems and modules for the telecommunications, automotive and industrial markets including mobile phone accessories, battery chargers, ISDN power supplies and in-vehicle equipment for electronic toll payment. Based on its immateriality, we do not report information separately for Subsystems. For a description of the main categories of products sold and/or services performed for each of the last three fiscal years, see Note 25 to our Consolidated Financial Statements.

Sense & Power and Automotive Products (SP&A)

Automotive (APG)

Our automotive products include digital and mixed signal devices that enable features like airbag controls, anti-skid braking systems, vehicle stability control, ignition and injection circuits, multiplex wiring, RF and power management for body and chassis electronics, engine management, advanced safety, instrumentation, car radio and infotainment. We hold a leading position in the global market for automotive semiconductor products.

We offer a broad range of products:

(i) *Powertrain*. We design and manufacture smart power products to enhance performance and comfort while reducing the automobile's environmental impact. For powertrain, our products are used for engine emissions and fuel economy improvements and powertrain electrification with mixed signal power management power driver and analog signal processing. In this area, we are clearly a market leader due to continuous process innovation, such as the recently introduced 110-nm. We also manufacture 32-bit microcontrollers for engine control and automatic gearbox applications. In this area we benefit from our competitive advantage in technology R&D with our recent 40-nm process currently in a qualification phase and our 300-mm plant in Crolles.

(ii) *Chassis-Safety*. Our Chassis-Safety products are used for passive and active safety systems. Our chassis-safety products are used for applications relating to braking, vehicle steering and airbag safety.

(iii) *Body Electronics*. We design and manufacture power, smart power products and microcontrollers addressing applications like door modules, anti-theft, lighting, wipers and body control modules.

(iv) *Infotainment*. We design and produce products to provide a full solution in the digital area of automotive applications. We create full solutions for automotive infotainment analog including tolling, navigation and telematics applications. The increasingly complex requirements of the car/driver interface continue to create market opportunities for us to use the company's media processing and global positioning ("GPS") capabilities in car multimedia applications. We have the skills and competence to provide a total solution, including GPS navigation, media processing, audio amplification and signal processing. We also supply components to satellite radio applications, including base band products to market leaders in this area.

In 2013, we reinforced our strong position in braking applications, with two important wins with two global Tier 1s, and entered into new partnerships with car manufacturers to address radical innovation and open new growth opportunities. We also 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; earning an important award for a 32-bit 40-nm microcontroller family for body gateway and body control modules from a major European Tier 1. Furthermore, we leveraged our record of success with Sirius/XM to win the new generation 40-nm base band chip for Digital Satellite Broadcasting.

Industrial and Power Discrete (IPD)

The IPD Group's activities focus on developing a broad range of innovative and competitive products including Power, Smart Power and Analog ICs. Our key product focus includes: power management ICs for smartphones and tablets, industrial ASICs and ASSPs for factory automation, motion control and lighting; tunable capacitors for mobile phones; SiC DIODES for high power converters, High Performance Triacs, SCRs and High Efficiency Rectifiers, IGBT power modules for industrial applications, high voltage and low voltage Power MOSFETs for applications such as "point of load", telecom DC-DC converters, PFC, switch mode power supplies and automotive equipment.

In particular we focus on the following most attractive segments:

(i) *Smart Grid*. Key applications include smart metering, renewable energy, energy saving, power conversion, HEV-EV and LED lighting.

(ii) *Automation*. Key automation applications include factory automation, industrial motor drives, home & building automation, networking and security.

(iii) *Portable*. Our key portable applications include smartphone, tablet, handheld consumer, fitness and consumer medical.

(iv) *Power Conversion*. Our key applications include SMPS, PC Power, telecom, UPS, welding, adapter and server.

IPD developments during 2013 include:

(i) *Industrial.* ASICs with extended lifetimes from major EMEA automation companies as well as another for a dedicated power supply for utilities metering; significant wins with a large Asian welding customer and with Intelligent Power Modules for air-conditioning and motor-control applications; ViperPlus high-voltage converters designed in at a major Taiwanese SMPS manufacturer; German factory automation customers with newest octal intelligent power switch; and big design wins for very-high-voltage super-junction MOSFETs with a European lighting leader and for high-voltage devices in Japan and Korea for Switched-Mode Power Supply and LED applications;

(ii) *Consumer.* Intelligent power modules scored several design wins from home-appliance leaders in the U.S. and Europe; and high-voltage gate driver for washing-machine applications and for high-voltage converters to be used in coffee machines and washing machines for several major European manufacturers;

(iii) *Innovative Solutions.* New LED lighting platform for a major U.S. manufacturer; many diverse design wins with the innovative digital-power STLUX385x platform; and multiple wins for silicon-carbide power diodes in high-power server applications; and

(iv) *Portable*. Very high market share with AMOLED drivers; wins for RF antenna tuner for smartphones; field-effect rectifier diodes for mobile and tablet chargers at a leading Asian OEM; and won key EMIF filters & protection-device sockets with leading game-console, tablet, notebook and other portable applications. Strong momentum with new advanced analog power management ICs for efficient battery management thanks to the transfer of the team from ST-Ericsson.

Analog & MEMS (AMS)

We are positioning AMS in the High End Analog world that comprises MEMS, many kinds of Sensors, Interfaces, low power RF Transceivers and Analog front-end. We design and manufacture a wide variety of MEMS products for many different applications and all market segments. We are a leader of the overall MEMS Market with the ability to produce and sell micro-actuators, like the thermal ones utilized in the Thermal Ink Jet and micromachined sensors, such as accelerometers, gyroscopes, altimeters, compasses, microphones and pressure sensors, in billions of pieces per year.

The Group also develops innovative, differentiated and value added analog products such as:

- audio amplifier ICs, used in a variety of end-products from portable to professional audio systems;
- touch screen controllers, named FingerTip Chips, for in-cell and on-cell LCD and AMOLED panel technology for smartphones and tablets applications;
- low power infrared sensors;
- battery-less low power wireless sensor nodes for applications in healthcare, industrial and consumer applications;
- gas flow sensors for next generation fully electronic gas-meters;
- high-resolution ICs for 3D and 4D ultrasound imaging; and
- high performance standard products like operational amplifiers and comparators, current sensors, real time clock chips, smart resets, supervisors and new generation interface chips.

Important 2013 developments include the production of a 6-axis MEMS device for the flagship model of an Asian Smartphone manufacturer and the start of high-volume production of the 4th generation 3-axis gyroscope for a major consumer electronics manufacturer. We also started production for an accelerometer for airbag in Automotive and launched mass production of a Smart iNEMO module, containing an accelerometer, gyro and brain for a handheld gaming system from a major manufacturer. iNEMO modules integrate different types of sensors to offer more compact, robust and easy-to-assemble solutions compared to discrete MEMS products and brings motion sensing systems to the level required for the most demanding applications, such as enhanced gesture recognition/gaming, augmented reality, indoor navigation and localization-based services. In addition, we received a win for a high end digital top port microphone in a new tablet and received environmental sensor success with the launch of a new environmental sensor for a leading Chinese smartphone manufacturer.

Embedded Processing Solutions (EPS)

Digital Convergence Group (DCG)

We provide a complete and flexible solution across a broad range of applications for delivering high-definition content and rich services to end users, from complex ASICs for network infrastructure and gaming to ASSPs for digital set-top boxes and monitors. DCG's 2013 developments include:

(i) wins in set-top box, including: receiving awards for new set-top box Class2 product family, with full certification from Nagra and Viaccess; Sumitomo Electric Networks' selecting of Orly for its Advanced Generation of Smart IPTV set-top boxes; receiving an important design at a key customer for the U.S. cable modem based on Orly; our selection by MitraStar Technology for the newest set-top boxes from Kbro Broadband; and achieving DOCSIS 3 certification for SoC products addressing the cable-data gateway and interactive set-top box markets; and

(ii) momentum in FD-SOI, including: receiving 15 design wins as of the current date and a sustained high level of customer interest; delivering a test chip to a top customer in the consumer market; launching an engagement with a key player in mobile phone market in China; and successfully completing a 28-nm performance validation with a key networking Chinese player.

(iii) exit from the digital TV ASSP SoC market and reduced presence in standalone display port components (furthermore, in February 2014, we entered into a small transaction transferring a part of our display port standalone product portfolio to a third party which hired some employees engaged in this activity).

Imaging, BiCMOS ASIC & Silicon Photonics (IBP)

The IBP Group's activities focus on developing innovative, competitive and low power solutions and systems for BiCMOS ASIC and Silicon Photonics as well as Imaging products. For BiCMOS ASIC & Silicon Photonics, we are focused on developing products for RF, Optical ICs and Silicon Photonics. For Imaging products, we address image capture and processing product requirements for various segments of the industry, due to four product families, CMOS image sensors, CMOS photonic sensors, Imaging modules and Imaging processors. In the mobile imaging segment, wireless handset and tablets, we produce CMOS-based camera modules, CMOS image sensors and processors for low and high density pixel resolutions, which also meet the autofocus, advanced fixed focus and miniaturization requirements of this market.

IBP's 2013 developments include:

(i) for our high volume image sensor business: high volume innovative image sensors using ST's proprietary backside-illumination ("BSI") technology to camera integrators; our delivering high-value dedicated Image Signal Processor ("ISP") to a leading consumer brand; and our winning a slot for the ISP from a leading phone manufacturer;

(ii) for silicon photonics: securing design wins for ASICs using silicon photonics with two of the world's top optical communications manufacturers; collecting a broad range of design wins from many customers that use ST BiCMOS or silicon photonics process technology in almost 30 new ASIC projects; and ramping production for 100G and parallel optics applications; and

(iii) with regard to diversification: sampling and demonstrating to automotive market leaders a new high-performance ISP and image-sensor chipset with advanced features for automotive and security applications.

Microcontrollers, Memory & Security (MMS)

MMS activities focus on microcontrollers dedicated to General purpose and Secure applications.

With our STM32 product family, we offer a wide range of 32-bit General Purpose Microcontrollers suitable for a wide variety of applications from those where a minimum cost is a primary requirement to those that need powerful real-time performance and high-level language support. In addition, our ST33/31 secure microcontrollers are also based on 32-bit architecture that securely store data and provide an array of security capabilities including advanced data encryption. Our expertise in security is a key to our leadership in the banking, pay-TV, mobile communication, identity, and transport fields. We also actively contribute to the emergence of new applications such as secure mobile transactions on near field communication ("NFC") mobile phones, trusted computing, brand protection, etc. In addition under the "Incard" brand, we develop, manufacture and sell smartcards for banking, identification and telecom applications.

MMS is also involved in the memories (EEPROM), which are used for parameter storage in various electronic devices in all market segments. RF EEPROM memories are opening many new opportunities everywhere.

These products are manufactured in processes capable of embedding nonvolatile memories as appropriate.

During 2013, we continued to expand our leadership in 32-bit by receiving several design wins, such as:

- sensor-hub in various mobile applications at a major manufacturer;
- next-generation low-power fitness-monitoring system at a key Americas OEM;
- Samsung's latest wearable device and smartphone;
- several other design wins for smart-watch applications at major global OEMs; and
- Wi-Fi modules for Internet-of-Things applications at various customers.

We also expanded our secure microcontroller business:

- embedded ST33 Secure Element in major OEMs' showcase smartphone;

- growing adoption of the ST31, our secure 32-bit MCU, in contact and contactless banking applications; and
- achieved Bank-Card Test Center certification for our secure microcontroller for Dual Interface Banking in China.

Wireless (WPS)

The Wireless Product Line resulted from the combination of our wireless business with NXP's and with Ericsson's mobile platform business to form a joint venture, ST-Ericsson (JVS).

Upon our decision to exit ST-Ericsson and break up the ST-Ericsson business (legacy products went to ST and the LTE modem to Ericsson), we report the revenues of phased out ST-Ericsson products in the Wireless Product Line.

Alliances with Customers and Industry Partnerships

We believe that alliances with customers and industry partnerships are critical to success in the semiconductor industry. Customer alliances provide us with valuable systems and application know-how and access to markets for key products, while allowing our customers to share some of the risks of product development with us and to gain access to our process technologies and manufacturing infrastructure. We are actively working to expand the number of our customer alliances, targeting OEMs in the United States, in Europe and in Asia.

Partnerships with other semiconductor industry manufacturers permit costly R&D and manufacturing resources to be shared to mutual advantage for joint technology development. For example, we belong to the International Semiconductor Development Alliance to co-develop 32/28-nm and below process technologies. In addition, we collaborate closely with the CEA Leti in both process development and design, with recent focus on our FD-SOI derivative technology. Furthermore, we have joint development programs with leading suppliers such as Air Liquide, ASM Lithography, Hewlett-Packard, PACKTEC, JSR, SOITEC, Statchip, Teradyne and with electronic design automation ("EDA") tool producers, including Cadence, Mentor and Synopsys. We also participate in joint European research programs, such as the ITEA, the Cluster for Application and Technology Research in Europe on NanoElectronics ("CATRENE"), ARTEMIS and the European Nanoelectronics Initiative Advisory ("ENIAC") programs.

Customers and Applications

We design, develop, manufacture and market thousands of products that we sell to thousands of customers. Our major customers include Apple, Blackberry, Bosch, Cisco, Conti, Hewlett-Packard, Nokia, Oberthur, Samsung, and Western Digital. To many of our key customers we provide a wide range of products, including application-specific products, discrete devices, memory products and programmable products. Our broad range portfolio helps foster close relationships with customers, which provides opportunities to supply such customers' requirements for multiple products, including discrete devices, programmable products and memory products. We also sell our products through distributors and retailers, including Arrow Electronics, Avnet, Wintech and Yosun. The semiconductor industry has historically been cyclical and we have responded by emphasizing balance in our product portfolio, in the applications we serve and in the regional markets we address.

No customer exceeded 10% of our total net revenues in both 2013 and 2012. There can be no assurance that our customers or distributors will continue to place orders with us in the future at the same levels as in prior periods. See "Item 3. Key Information — Risk Factors — Risks Related to Our Operations — Disruptions in our relationships with any one of our key customers, and/or material changes in their strategy or financial condition, could adversely affect our results of operations".

Sales, Marketing and Distribution

In 2012, we reorganized our Sales & Marketing organization with the primary objectives of accelerating sales growth and gaining market share. The changes were designed along three key drivers: strengthening the effectiveness of the development of our global accounts; boosting demand creation through an enhanced focus on geographical coverage; and establishing marketing organizations in our regional sales organizations that are fully aligned with the Product Groups.

Following this reorganization, the previous sales organization structured by market segment was replaced by a new sales organization organized by a combination of country/area coverage and key accounts coverage. Our Sales & Marketing organization is now structured into six units: four regional sales organizations and two major accounts units.

Regional Sales Organizations

Our four regional sales organizations, a description of which follows below, have a similar structure to enhance coordination in the go-to-market activities. They are also strongly focused on accelerated growth.

(i) *EMEA* — In EMEA, there are seven sales organizations. Four are geographically defined and cover North, Central, West and South & Emerging Markets. Three sales units have worldwide responsibility for global sales of three Global Key Accounts. Marketing is organized to reflect the product groups, representing APG, Digital, MMS and AMS/IPD. Combined, these organizations are collectively responsible for new and existing account development, technical support and logistics and services support. We also have an organization that manages our distribution network and supports EMS customers for manufacturing on behalf of our OEM customers.

(ii) *Americas* — In the Americas region, the sales and marketing team is organized into seven major accounts: Global Key Accounts, Four New Major Accounts, Sales by Geography consisting of the West Coast, Central South, North Central and East Coast Sales. We also have a sales team supporting Latin America based in two centers in Mexico and Brazil. Our Marketing teams that support and promote specific products are organized in line with our product groups, of which there are six: APG, AMS, DCG, IBP, IPD and MMS. We also have an organization that manages our distribution network and supports EMS customers mostly for manufacturing on behalf of our OEM customers.

(iii) *Greater China-South Asia* — The Greater China-South Asia region comprises six geographical sales units with offices covering North China (Beijing), Central China (Shanghai), South China (Hong Kong), Taiwan (Taipei), India (New Delhi) and ASEAN/Australia & New Zealand (Singapore). It is further supported by a centralized Channel coordination function, as well as six key product groups, namely, DCG, IBP, APG, IPD, AMS and MMS, and four new major accounts. In 2013, the company also opened 7 new offices (6 in mainland China and 1 in Taiwan) in the region.

(iv) *Japan-Korea* — The Japan-Korea region comprises three geographical sales units with offices covering East Japan (Tokyo and Nagoya), West Japan (Osaka), Korea (Seoul) and four new major accounts. It is further supported by key product groups, namely, DCG/IBP, APG, IPD/AMS and MMS plus a comprehensive Sales Channel Management that provides products and sales support for the regional distribution network. Each geographical sales unit sells each product from our portfolio that fits the applications. Marketing and Application organization provides product support and training for standard products for the region. In addition, five central support functions (business management, field quality, human resources, finance and corporate communications) allow the region to run all of the necessary tasks smoothly.

The sales and marketing activities performed by our regional sales organizations are supported by product marketing that is carried out by each product group, which also includes product development functions. This matrix system reinforces our sales and marketing activities and our broader strategic objectives. An important component of our regional sales and marketing efforts is to expand our customer base, which we seek to do by adding sales representatives, regional competence centers and new generations of electronic tools for customer support.

We also engage distributors and representatives to distribute our products around the world. Typically, distributors handle a wide variety of products, including products that compete with our products, and fill orders for many customers. Most of our sales to distributors are made under agreements allowing for price protection and/or the right of return on unsold merchandise. We generally recognize revenues upon the transfer of ownership of the goods at the contractual point of delivery. Sales representatives generally do not offer products that compete directly with our products, but may carry complementary items manufactured by others. Representatives do not maintain a product inventory. Their customers place large quantity orders directly with us and are referred to distributors for smaller orders.

At the request of certain of our customers, we also sell and deliver our products to EMS, which, on a contractual basis with our customers, incorporate our products into the application specific products they manufacture for our customers. Certain customers require us to hold inventory on consignment in their hubs and only purchase inventory when they require it for their own production. This may lead to delays in recognizing revenues, as revenue recognition will occur, within a specific period of time, at the actual withdrawal of the products from the consignment inventory, at the customer's option.

For a breakdown of net revenues by product segment and geographic region for the last three fiscal years, see "Item 5. Operating and Financial Review and Prospects".

Research and Development

We believe that market driven R&D founded on leading edge products and technologies is critical to our success. The main R&D challenge we face is continually increasing the functionality, speed and cost-effectiveness of our semiconductor devices, while ensuring that technological developments translate into profitable commercial products as quickly as possible.

We combine front-end manufacturing and technology R&D under the same organization for each of SP&A and EPS to ensure a smooth flow of information between the R&D and manufacturing organizations and we leverage on significant synergies and shared activities between the two segments to cross-fertilize both businesses. We manage our R&D projects by technology and by product segment. The relevant technology R&D expenses are allocated to the product segments on the basis of the estimated efforts. The total amount of R&D expenses in the past three fiscal years was $1,816 million, $2,413 million and $2,352 million in 2013, 2012 and 2011, respectively.

We devote significant effort to R&D because we believe such investment can be leveraged into competitive advantages. New developments in semiconductor technology can make end products significantly cheaper, smaller, faster, more reliable and embedded with more functionalities than their predecessors. They also enable, through their timely appearance on the market, significant value creation opportunities. For a description of our R&D expenses, see "Item 5. Operating and Financial Review and Prospects — Results of Operations — Research and Development Expenses".

With the core CMOS and analog technologies in our portfolio, we are aggressively proceeding to miniaturization in line with industry requirements. To differentiate our offering for higher value systems, we also seek to combine our core technologies with our specific knowhow and expertise, in particular in the area of System-in-Package.

Our R&D design centers offer a significant advantage for us in quickly and cost effectively introducing products. In addition, we have advanced R&D centers strategically located around the world, including in France, Italy, China, India, Singapore, the United Kingdom and the United States. We have a technology council comprised of fifteen leading experts to review, evaluate and advise us on the competitive landscape. Our R&D center in Greater Noida, India provides necessary support to the Group's design activities worldwide and hosts R&D activities focused on software development and core libraries development, with a strong emphasis on system solutions.

In 2008, we entered into an R&D alliance with the International Semiconductor Development Alliance ("ISDA") led by IBM, whose other core members are Samsung and Global Foundries, to develop leading edge core CMOS technologies at 32/28-nm and 22/20-nm nodes. In 2013, we extended our participation in ISDA to cover the next nodes (14/10/7-nm). We are also working with the CEA Leti and IBM to develop in Crolles our FD-SOI derivative technology, which, for the 28-nm node and the next generation, 14-nm, are in development, and for the 10-nm, it is on our roadmap. This FD-SOI technology offers an alternative to the Fin-FET technology proposed by competitors for applications targeting low power dissipation.

In 2009, we also entered into a framework agreement with the French Ministry of Economy, Industry and Employment for the "Nano-2012" Research and Development program. This program expired at the end of 2012. On July 22, 2013, we announced the Nano-2017 Research and Development program. See "Item 5. Operating and Financial Review and Prospects — Other Developments".

Furthermore, our manufacturing facility in Crolles, France houses a R&D center, "Centre Commun de Microelectronique de Crolles". Laboratoire d'Electronique de Technologie d'Instrumentation, a research laboratory of CEA (one of our indirect shareholders), is our partner in this center. In 2012, a new structure, Institut de Recherche Technologique ("IRT"), was set up by CEA in the frame of the French initiative "Investissements d'Avenir". We participate in this program, which takes place on CEA's premises, through investment and by contributing the expertise of some of our researchers.

There can be no assurance that we will be able to generate the necessary funding to support the ongoing costs of our R&D programs, or that we will be able to develop future technologies and commercially implement them on satisfactory terms, or that our alliances will allow the successful development of state-of-the-art core CMOS or FD-SOI technologies on satisfactory terms and in line with market requirements. See "Item 3. Key Information — Risk Factors — Risks Related to Our Operations — Our R&D efforts are increasingly expensive and dependent on technology alliances, and our business, results of operations and prospects could be materially adversely affected by the failure or termination of such alliances".

In Italy, our technology R&D development activities occur principally in Agrate and Catania. In Agrate, such activities encompass prototyping, pilot and volume production of newly developed technologies with the objective of accelerating process industrialization and time to market for Smart Power affiliation (BCD), including on SOI, High Voltage CMOS and MEMS. In addition, we plan to set up a 300-mm pilot line for manufacturing and R&D for advanced BCD technology. We also run a joint operation under a consortium agreement with Micron Technologies ("Micron") in which we and Micron each manage our respective technology R&D programs. In Catania, we develop new technologies for power discretes, SICs and gallium arsenide.

Our Advanced Systems Technology ("AST") organization, primarily located in Agrate, creates system knowledge that supports our SoC development. AST's objective is to develop the advanced architectures that will drive key strategic applications, including health care, wireless and data security. AST's challenge is to combine the expertise and expectations of our customers, industrial and academic partners, our central R&D teams and product segments to create a cohesive, practical vision that defines the hardware, software and system integration knowledge that we will need in the next three to five years and the strategies required to master them.

We play leadership roles in numerous projects running under the European Union's IST (Information Society Technologies) programs. We also participate in joint European research programs, such as the ITEA, the Cluster for Application and Technology Research in Europe on NanoElectronics ("CATRENE"), ARTEMIS and the European Nanoelectronics Initiative Advisory Council ("ENIAC") programs.

Property, Plants and Equipment

We currently operate 14 main manufacturing sites around the world. The table below sets forth certain information with respect to our current manufacturing facilities, products and technologies. Front-end manufacturing facilities are fabs and back-end facilities are assembly, packaging and final testing plants.

Location	Products	Technologies
Front-end facilities		
Crolles1, France	Application-specific products	Fab: 200-mm CMOS and BiCMOS, Analog/RF
Crolles2, France	Application-specific products and leading edge logic products; nonvolatile memories and microcontrollers	Fab: 300 mm research and development on deep sub-micron (20 nm bulk and FD SOI 14 nm) CMOS and differentiated SoC technology and manufacturing on advanced CMOS, imaging technologies and Nonvolatile memories microcontrollers at (80, 55 and 40-nm)
Agrate, Italy	Nonvolatile memories, microcontrollers and application-specific products MEMS	Fab 1: 200-mm BCD, MEMS, Microfluidics Fab 2: 200-mm, embedded Flash, research and development on nonvolatile memories and BCD technologies and Flash (operating in consortium with Micron)

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Location	Products	Technologies
Rousset, France	Microcontrollers, nonvolatile memories and Smartcard ICs, application-specific products	Fab 1: 200-mm CMOS, Smartcard, embedded Flash, Analog/RF
Catania, Italy	Power transistors, Smart Power and analog ICs and application-specific products, MEMS	Fab 1: 150-mm Power metal-on silicon oxide semiconductor process technology ("MOS"), VIPpower[tm], MO-3, MO-5 and Pilot Line RF Fab 2: 200-mm, Microcontrollers, Advanced BCD, power MOS
Tours, France	Protection thyristors, diodes and ASD power transistors, IPAD	Fab: 125-mm, 150-mm and 200-mm pilot line discrete
Ang Mo Kio, Singapore	Analog, microcontrollers, power transistors, commodity products, nonvolatile memories, and application-specific products	Fab 1: 150-mm-bipolar, power MOS and BCD, EEPROM, Smartcard, Micros, CMOS logic Fab 2: 150-mm Microfluidics, MEMS, power MOS, BiCMOS, CMOS (wind-down of certain manufacturing lines ongoing) Fab 3: 200mm BCD and Power MOS (Pilot line installation ongoing)
Back-end facilities		
Muar, Malaysia	Application-specific and standard products, microcontrollers	Ball Grid Array, Power Automotive, SOIC, QFP
Kirkop, Malta	Application-specific products, MEMS, Embedded Flash for Automotive	Ball Grid Array, QFP, Land Grid Array
Toa Payoh, Singapore	Optical packages research and development, EWS and Testing Center	
Bouskoura, Morocco	Nonvolatile memories, discrete and standard products, micromodules, RF and subsystems	Power, SOIC, Micromodules
Shenzhen, China(1)	Nonvolatile memories, optical packages, discrete, application-specific and standard products	Ball Grid Array, Camera Module, SOIC, Power
Longgang, China	Discrete and standard products	Power, PDIP (wind down and consolidation to Shenzhen has started)
Calamba, Philippines	Application specific products and standard products, MEMS	Ball Grid Array, QFN, Micromodules, Land Grid Array

(1) Jointly operated with SHIC, a subsidiary of Shenzhen Electronics Group.

Fab 2 in Ang Mo Kio is to be reduced essentially to Microfluidics products, while in Catania Fab 1 will be progressively converted into 200-mm and merged with Fab 2. There will be consolidation of our back-end activity in China to Shenzhen (closure of Longgang).

At the end of 2013, our front-end facilities had a total maximum capacity of approximately 130,000 200-mm equivalent wafer starts per week. The number of wafer starts per week varies from facility to facility and from period to period as a result of changes in product mix. Our advanced 300-mm wafer pilot-line fabrication facility in Crolles, France had an installed capacity of 3,600 wafers per week at the end of 2013, and we plan to increase production to up to approximately 6,000 wafers per week as required by market conditions and within the framework of our R&D Nano-2017 program.

We own all of our manufacturing facilities, but certain facilities (Muar-Malaysia, Shenzhen and Longgang-China, Toa Payoh and Ang Mo Kio-Singapore) are built on land, which are the subject of long-term leases.

We have historically subcontracted a portion of total manufacturing volumes to external suppliers. In 2013 we purchased approximately 9% from external foundries of our total silicon production. Our plan is to extend sourcing of silicon from external foundries up to above 20% of our total needs.

At December 31, 2013, we had approximately $163 million in outstanding commitments for purchases of equipment and other assets for delivery in 2014. In 2013, our capital spending, net of proceeds, was $531 million, above the $476 million registered in 2012. In the 2011-2013 period the ratio of capital investment spending to revenues was about 8.6%. For more information, see “Item 5. Operating and Financial Review and Prospects — Financial Outlook: Capital Investment”.

Our manufacturing processes are highly complex, require technologically advanced and costly equipment and are continuously being modified in an effort to improve yields and product performance. Impurities or other difficulties in the manufacturing process can lower yields, interrupt production or result in losses of products in process. As system complexity has increased and sub-micron technology has become more advanced, manufacturing tolerances have been reduced and requirements for precision and excellence have become even more demanding. Although our increased manufacturing efficiency has been an important factor in our improved results of operations, we have from time to time experienced production difficulties that have caused delivery delays and quality control problems, as is common in the semiconductor industry.

In the second part of 2013, we experienced demand progressing at a pace lower than expected. Nonetheless we have been able to properly balance our fabs and plants loading versus the inventories evolution to ensure the sound level of their operational performances.

No assurance can be given that we will be able to increase manufacturing efficiencies in the future to the same extent as in the past, or that we will not experience production difficulties and/or unsaturation in the future.

In addition, as is common in the semiconductor industry, we have from time to time experienced difficulty in ramping up production at new facilities or effecting transitions to new manufacturing processes and, consequently, have suffered delays in product deliveries or reduced yields. There can be no assurance that we will not experience manufacturing problems in achieving acceptable yields, product delivery delays or interruptions in production in the future as a result of, among other things, capacity constraints, production bottlenecks, construction delays, equipment failure or maintenance, ramping up production at new facilities, upgrading or expanding existing facilities, changing our process technologies, or contamination or fires, storms, earthquakes or other acts of nature, any of which could result in a loss of future revenues. In addition, the development of larger fabrication facilities that require state-of-the-art sub-micron technology and larger-sized wafers has increased the potential for losses associated with production difficulties, imperfections or other causes of defects. In the event of an incident leading to an interruption of production at a fab, we may not be able to shift production to other facilities on a timely basis, or our customers may decide to purchase products from other suppliers, and, in either case, the loss of revenues and the impact on our relationship with our customers could be significant. Our operating results could also be adversely affected by the increase in our fixed costs and operating expenses related to increases in production capacity if revenues do not increase commensurately. Finally, in periods of high demand, we increase our reliance on external contractors for foundry and back-end service. Any failure to perform by such subcontractors could impact our relationship with our customers and could materially affect our results of operations.

Intellectual Property (IP)

IP rights that apply to our various products include patents, copyrights, trade secrets, trademarks and mask work rights. A mask work is the two- or three-dimensional layout of an integrated circuit. We currently own approximately 16,000 patents and pending patent applications, corresponding to over 9,000 patent families (each patent family containing all patents originating from the same invention), including 598 original new patent applications filed in 2013.

Our success depends in part on our ability to obtain patents, licenses and other IP rights covering our products and their design and manufacturing processes. To that end, we intend to continue to seek patents on our innovations in our circuit designs, manufacturing processes, packaging technology and system applications as well as on industry standards and other inventions. The process of seeking patent protection can be long and expensive, and there can be no assurance that patents will issue from currently pending or future applications or that, if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to us. In addition, effective copyright and trade secret protection may be unavailable or limited in certain countries. Competitors may also develop technologies that are protected by patents and other IP rights and therefore such technologies may be unavailable to us or available to us subject to adverse terms and conditions. Management believes that our IP represents valuable assets and intends to protect our investment in technology by enforcing all of our IP rights. We have also set up a dedicated team actively seeking to optimize the value from our IP portfolio by the licensing of our design technology and other IP, including patents. We have used our patent portfolio to enter into several broad patent cross-licenses with several major semiconductor companies enabling us to design, manufacture and sell semiconductor products without fear of infringing patents held by such companies, and intend to continue to use our patent portfolio to enter into such patent cross-licensing agreements with industry participants on favorable terms and conditions. As our sales increase compared to those of our competitors, the strength of our patent portfolio may not be sufficient to guarantee the conclusion or renewal of broad patent cross-licenses on terms that do not affect our results of operations. Furthermore, as a result of litigation, or to address our business needs, we may be required to take a license to third party IP rights upon economically unfavorable terms and conditions, and possibly pay damages for prior use, and/or face an injunction or exclusion order, all of which could have a material adverse effect on our results of operations and ability to compete.

From time to time, we are involved in IP litigation and infringement claims. See “Item 8. Financial Information — Legal Proceedings”. In the event a third party IP claim were to prevail, our operations may be interrupted and we may incur costs and damages, which could have a material adverse effect on our results of operations, cash flow and financial condition.

Finally, we have received from time to time, and may in the future receive communications from competitors or other third parties alleging infringement of certain patents and other IP rights of others, which have been and may in the future be followed by litigation. Regardless of the validity or the successful assertion of such claims, we may incur significant costs with respect to the defense thereof, which could have a material adverse effect on our results of operations, cash flow or financial condition. See “Item 3. Key Information — Risk Factors — Risks Related to Our Operations — We depend on patents to protect our rights to our technology and may face claims of infringing the IP rights of others”.

Backlog

Our sales are made primarily pursuant to standard purchase orders that are generally booked from one to twelve months in advance of delivery. Quantities actually purchased by customers, as well as prices, are subject to variations between booking and delivery and, in some cases, to cancellation due to changes in customer needs or industry conditions. During periods of economic slowdown and/or industry overcapacity and/or declining selling prices, customer orders are not generally made far in advance of the scheduled shipment date. Such reduced lead time can reduce management’s ability to forecast production levels and revenues. When the economy rebounds, our customers may strongly increase their demands, which can result in capacity constraints due to our inability to match manufacturing capacity with such demand.

In addition, our sales are affected by seasonality, with the first quarter generally showing lowest revenue levels in the year, and the third or fourth quarter historically generating higher amounts of revenues.

We also sell certain products to key customers pursuant to frame contracts. Frame contracts are annual contracts with customers setting forth quantities and prices on specific products that may be ordered in the future. These contracts allow us to schedule production capacity in advance and allow customers to manage their inventory levels consistent with just-in-time principles while shortening the cycle times required to produce ordered products. Orders under frame contracts are also subject to a high degree of volatility, because they reflect expected market conditions which may or may not materialize. Thus, they are subject to risks of price reduction, order cancellation and modifications as to quantities actually ordered resulting in inventory build-ups.

Furthermore, developing industry trends, including customers’ use of outsourcing and their deployment of new and revised supply chain models, may reduce our ability to forecast changes in customer demand and may increase our financial requirements in terms of capital expenditures and inventory levels.

We entered 2013 with a backlog lower than we had compared to 2012, as a result of a difficult industry environment. During 2013, our backlog declined, in particular in the second half, mainly reflecting the impact of the wind-down of the ST-Ericsson business. Excluding the Wireless product line, we entered 2014 with a backlog similar to what we had entering 2013.

Competition

Markets for our products are intensely competitive. While only a few companies compete with us in all of our product lines, we face significant competition in each of them. We compete with major international semiconductor companies. Smaller niche companies are also increasing their participation in the semiconductor market, and semiconductor foundry companies have expanded significantly, particularly in Asia. Competitors include manufacturers of standard semiconductors, ASICs and fully customized ICs, including both chip and board-level products, as well as customers who develop their own IC products and foundry operations. Some of our competitors are also our customers.

The primary international semiconductor companies that compete with us include Analog Devices, Atmel, Avago, Broadcom, Fairchild Semiconductor, Freescale Semiconductor, Infineon, Intel, International Rectifier, InvenSense, Linear Technology, LSI Logic, Marvell, Maxim, MediaTek, Microchip Technology, Mstar, NXP Semiconductors, ON Semiconductor, Qualcomm, Renesas, ROHM Semiconductor, Samsung, Texas Instruments, Toshiba, TSMC and Vishay.

We compete in different product lines to various degrees on the basis of price, technical performance, product features, product system compatibility, customized design, availability, quality and sales and technical support. In particular, standard products may involve greater risk of competitive pricing, inventory imbalances and severe market fluctuations than differentiated products. Our ability to compete successfully depends on elements both within and outside our control, including successful and timely development of new products and manufacturing processes, product performance and quality, manufacturing yields and product availability, customer service, pricing, industry trends and general economic trends.

Organizational Structure and History

We are organized in a matrix structure with geographic regions interacting with product groups, both supported by shared technology and manufacturing operations and by central functions, designed to enable us to be closer to our customers and to facilitate communication among the R&D, production, marketing and sales organizations.

While STMicroelectronics N.V. is the parent company, we also conduct our operations through service activities from our subsidiaries. We provide certain administrative, human resources, legal, treasury, strategy, manufacturing, marketing and other overhead services to our consolidated subsidiaries pursuant to service agreements for which we recover the cost.

The following table lists our consolidated subsidiaries and our percentage ownership as of December 31, 2013:

Legal Seat	Name	Percentage Ownership (Direct or Indirect)
Australia, Sydney	STMicroelectronics PTY Ltd	100
Belgium, Diegem	Proton World International N.V.	100
Brazil, Sao Paulo	South America Comércio de Cartões Inteligentes Ltda	100
Brazil, Sao Paulo	STMicroelectronics Ltda	100
Brazil, Sao Paulo	Incard do Brazil Ltda	50
Canada, Ottawa	STMicroelectronics (Canada), Inc.	100
China, Beijing	STMicroelectronics (Beijing) R&D Co. Ltd	100
China, Shanghai	STMicroelectronics (Shanghai) Co. Ltd	100
China, Shanghai	STMicroelectronics (Shanghai) R&D Co. Ltd	100
China, Shanghai	STMicroelectronics (China) Investment Co. Ltd	100
China, Shenzhen	Shenzhen STS Microelectronics Co. Ltd	60
China, Shenzhen	STMicroelectronics (Shenzhen) Manufacturing Co. Ltd	100
China, Shenzhen	STMicroelectronics (Shenzhen) R&D Co. Ltd	100

Legal Seat	Name	Percentage Ownership (Direct or Indirect)
Czech Republic, Prague	STMicroelectronics Design and Application s.r.o.	100
Finland, Nummela	STMicroelectronics Finland OY	100
France, Crolles	STMicroelectronics (Crolles 2) SAS	100
France, Grenoble	STMicroelectronics (Grenoble 2) SAS	100
France, Le Mans	STMicroelectronics (Grand Ouest) SAS	100
France, Grenoble	STMicroelectronics (Alps) SAS	100
France, Montrouge	STMicroelectronics S.A.	100
France, Rousset	STMicroelectronics (Rousset) SAS	100
France, Tours	STMicroelectronics (Tours) SAS	100
Germany, Aschheim-Dornach	STMicroelectronics GmbH	100
Germany, Aschheim-Dornach	STMicroelectronics Application GmbH	100
Holland, Amsterdam	STMicroelectronics Finance B.V.	100
Holland, Amsterdam	STMicroelectronics Finance II N.V.	100
Holland, Amsterdam	STMicroelectronics International N.V.	100
Hong Kong	STMicroelectronics Ltd	100
India, New Delhi	STMicroelectronics Marketing Pvt Ltd	100
India, Noida	STMicroelectronics Pvt Ltd	100
Israel, Netanya	STMicroelectronics Ltd	100
Italy, Agrate Brianza	STMicroelectronics S.r.l.	100
Italy, Aosta	Dora S.p.A.	100
Italy, Catania	CO.RI.M.ME.	100
Italy, Naples	STMicroelectronics Services S.r.l.	100
Italy, Torino	ST-POLITO Scarl	75
Japan, Tokyo	STMicroelectronics KK	100
Malaysia, Kuala Lumpur	STMicroelectronics Marketing SDN BHD	100
Malaysia, Muar	STMicroelectronics SDN BHD	100
Malta, Kirkop	STMicroelectronics (Malta) Ltd	100
Mexico, Guadalajara	STMicroelectronics Marketing, S. de R.L. de C.V.	100
Morocco, Casablanca	Electronic Holding S.A.	100
Morocco, Casablanca	STMicroelectronics S.A.S. (Maroc)	100
Philippines, Calamba	STMicroelectronics, Inc.	100
Philippines, Calamba	ST-Ericsson (Philippines), Inc.	100
Philippines, Calamba	Mountain Drive Property, Inc.	40
Singapore, Ang Mo Kio	STMicroelectronics Asia Pacific Pte Ltd	100
Singapore, Ang Mo Kio	STMicroelectronics Pte Ltd	100
Singapore	Veredus Laboratories Pte Ltd	67
Spain, Barcelona	STMicroelectronics Iberia S.A.	100
Sweden, Kista	STMicroelectronics A.B.	100
Switzerland, Geneva	STMicroelectronics S.A.	100
Switzerland, Geneva	INCARD S.A.	100
Switzerland, Geneva	ST New Ventures S.A.	100
Thailand, Bangkok	STMicroelectronics (Thailand) Ltd	100
United Kingdom, Marlow	Inmos Limited	100
United Kingdom, Marlow	STMicroelectronics Limited	100
United Kingdom, Bristol	STMicroelectronics (Research & Development) Limited	100
United Kingdom, Marlow	Synad Technologies Limited	100
United States, Coppell	STMicroelectronics Inc.	100
United States, Coppell	Genesis Microchip Inc.	100
United States, Coppell	Genesis Microchip (Delaware), Inc.	100
United States, Coppell	Genesis Microchip LLC	100
United States, Coppell	Genesis Microchip Limited Partnership	100
United States, Coppell	Sage Inc.	100
United States, Coppell	Faroudja, Inc.	100
United States, Coppell	Faroudja Laboratories Inc.	100
United States, Coppell	STMicroelectronics (North America) Holding, Inc.	100
United States, Wilsonville	The Portland Group, Inc.	100

The following table lists our principal equity-method investments and our percentage ownership as of December 31, 2013:

Legal Seat	Name	Percentage Ownership (Direct or Indirect)
France, Grenoble	MicroOLED S.A.S	39.6
Italy, Catania	3Sun S.r.l.	33.3
Switzerland, Geneva	ST-Ericsson SA	50.0

Public Funding

We participate in certain programs established by the EU, individual countries and local authorities in Europe (primarily in France and Italy). Such funding is generally provided to encourage R&D activities and capital investment, industrialization and the economic development of underdeveloped regions. These programs are partially supported by direct funding, tax credits and specific loans (low-interest financing).

Public funding in France, Italy and Europe generally is open to all companies, regardless of their ownership or country of incorporation. The EU has developed model contracts for R&D funding that require beneficiaries to disclose the results to third parties on reasonable terms. As disclosed, the conditions for receipt of government funding may include eligibility restrictions, approval by EU authorities, annual budget appropriations, compliance with European Commission regulations, as well as specifications regarding objectives and results.

Some of our R&D government funding contracts involve advance payments that require us to justify our expenses after receipt of funds. Certain specific contracts (Crolles, Grenoble, Rousset and Tours, France and Catania, Italy) contain commitments to maintain a minimum level of employment and/or investment during a certain amount of time. There could be penalties (i.e., a partial refund due to the government) if these objectives are not fulfilled. Other contracts contain penalties for late deliveries or for breach of contract, which may result in repayment obligations.

The main programs for R&D in which we are involved include: (i) the Eureka CATRENE cooperative R&D program (Cluster for Application and Technology Research in Europe on NanoElectronics); (ii) EU R&D projects with FP7 (Seventh Frame Program) for Information and Communication Technology; (iii) European Joint Technology Initiatives (JTI) such as ENIAC (European Nanoelectronics Initiative Advisory Committee) and ARTEMIS (Embedded Computing Systems Initiative) operated by Joint Undertakings formed by the European Union, some member states and industry; and (iv) national or regional programs for R&D and for industrialization in the electronics industries involving many companies and laboratories. The pan European programs cover a period of several years, while national or regional programs in France and Italy are subject mostly to annual budget appropriation. We were awarded in 2012 two of the first of five projects under the ENIAC “KET (Key Enabling Technologies) Pilot Lines” frame, recently launched in Europe. They are devoted respectively to specific MEMS technologies (based in Italy) and FD SOI technologies (based in France). At 2013 end, we were awarded 4 new projects in the same “KET Pilot Lines” frame, for embedded non-volatile memories, diversified image sensors, design in FD-SOI technologies (all in France) and again MEMS (in Italy).

In December 2013, the European Commission formalized Horizon 2020, the European Union’s new research and innovation framework for 2014 through 2020, which also includes provisions to continue supporting the public-private partnerships that existed under FP7. In particular, the new ECSEL (Electronic Components and Systems for European Leadership) JTI will be supported to boost Europe’s electronics manufacturing capabilities. ECSEL is a merger of the ARTEMIS initiative and the ENIAC initiative, and it also incorporates research and innovation on smart systems under EPoSS. ECSEL is expected to start in early 2014 and run for 10 years.

In Italy, there are some national funding programs established to support the new FIRST (*Fondo per gli Investimenti nella Ricerca Scientifica e Tecnologica*) that will groups previous funding regulations FIRB (*Fondo per gli Investimenti della Ricerca di Base*, aimed to fund fundamental research), FAR (*Fondo per le Agevolazioni alla Ricerca*, to fund industrial research), and FSC (*Fondo per lo Sviluppo e la Coesione*) the FCS (*Fondo per la Competitività e lo Sviluppo*). The FRI (*Fondo rotativo per il sostegno alle imprese e agli investimenti in ricerca*) funds research and innovation activities and the new FIT (*Fondo speciale rotativo per l’Innovazione Tecnologica*) FCS (*Fondo per la Crescita Sostenibile*) that is designed to fund precompetitive development in manufacturing. These programs are not limited to microelectronics and are intended to support industry R&D in any segment. Italian programs often cover several years and the approval phase is quite long, up to two or three years. In 2013, within the PON (*Programma Operativo Nazionale "Ricerca e competitività 2007 2013"*), the Italian Research Ministry finalized the complete ranking of the approved proposals for the DTA (*Distretti ad Alta Tecnologia*), and seven projects involving the company were formalized and one of our proposals was selected for funding.

In Italy, according to the ARTEMIS and ENIAC Joint Undertaking procedures related to calls for proposals, in 2013 the Italian Research Ministry approved public grants for an additional four ENIAC projects (of which one was under the ENIAC's call for "Key Enabling Technologies — Pilot Lines) and one for ARTEMIS project (under the ARTEMIS Innovation Pilot Program call) involving the company.

Furthermore, there are some regional funding tools for research that can be addressed by local initiatives, primarily in the regions of Puglia, Sicily, Campania and Val d'Aosta, provided that a reasonable regional socio-economic impact could be recognized in terms of industrial exploitation, new professional hiring and/or cooperation with local academia and public laboratories.

In 2006, the EU Commission allowed the modification of the conditions of a grant pertaining to the building, facilitation and equipment of our facility in Catania, Italy (the "M6 Plant"). Following this decision, the authorized timeframe for completion of the project was extended and the Italian government was authorized to allocate €446 million, out of the €542 million grants originally authorized, for the completion of the M6 Plant if we made a further investment of €1,700 million between January 1, 2006 through the end of 2009. On the basis of the investments actually realized during the period, we recorded an amount of approximately €78 million as funding for capital investment of which approximately €44 million has been received to date. On September 13, 2011, the European Commission initiated a review of the M6 investment and related benefits, requesting information from the Italian government about the status and the ownership of the benefits of the M6 investment during the period 2001-2006. The Italian authorities responded to all such requests for information in 2011 and 2012 concerning primarily the history of the investment made, the motivation of the state aid granted, the formal interpretation related to the definition of "investment activation", and its application to the M6 case. To our knowledge, no proceedings are ongoing.

In France, support for R&D is given by public agencies such as ANR (*Agence Nationale de la Recherche*), or OSEO (the agency taking over the missions and budgets of the AII Agency for Industrial Innovation), generally for consortia of partners grouping universities, public laboratories and private actors (large and small). The agencies operate via calls for project proposals, most often related to the identified "clusters of competitiveness" (*Pôles de Compétitivité*) throughout the French territory. The most relevant for us are 'Minalogic' around Grenoble, 'SCS' in the south-east area covering Rousset and 'S2E2' in the Tours area. The selected projects receive a support limited to 25% or 35% of the actual R&D expenses, depending on the type of project. The funding is given when technical reports have been accepted by the agencies; all expenses must be documented and financial audits are organized by the agencies to check their eligibility.

Another important contribution is given by the Ministry of Industry ("FCE") and by local public authorities. Specific support for microelectronics is provided through FCE to all the companies with activities in France in the semiconductor industry. The amount of support under French programs is decided annually and subject to budget appropriation. In 2012, we terminated the execution of the "Nano-2012" Research and Development program, which is designed to promote the development of advanced CMOS (32-nm and below) technologies for system on chip semiconductor products in the Grenoble-Crolles region of France, in cooperation with the ISDA. In this program, STMicroelectronics (Crolles and Grenoble sites) was the leading contributor, with over 30 other partners (universities, public research laboratories, large groups and small companies (SMEs)). Under this frame agreement, an overall funding budget of €340 million (about $450 million) in grants was put in place for us for the period 2008-2012, subject to the conclusion of agreements every year with the public authorities (the French State being represented by the Ministry of Industry, and local authorities), and provided that all technical parameters and objectives are met.

Due to a major change in the taxation regime in France, the local authorities have received lower tax receipts than before. During the "Nano-2012" program, some of the local authorities involved have, as a result of such tax receipts, decided to suspend their funding obligations related to the "Nano-2012" program. Therefore, the benefit for us and the other partners ended up being lower than expected as the French government did not agree to compensate us for the shortfall in support from the local authorities. At the end of 2012, the program ended and a final review was completed in April 2013. The final review concluded that the technical program had been fully executed in line with the plans, helping to further develop the Grenoble ecosystem.

On July 22, 2013, the French Prime Minister announced the Nano-2017 Research and Development program, a five-year public-private strategic R&D program led by us to further advance our leadership in key embedded processing solutions and technologies. The project draws support from a broad coalition of French national, regional and local authorities as well as by the European community through the ENIAC Joint Technology Initiative. Funding for the program is subject to approval by the European Commission. Ultimately, "Nano-2017" will strengthen our leadership in such key technologies as FD-SOI (low-power, high-performance processing), next-generation imaging (sensors and image signal processors), and next-generation embedded non-volatile memories. These technologies are at the core of our embedded processing solutions which include microcontrollers, imaging solutions, digital consumer products, application processors and digital ASICs. The pan-European enlargement of this program (with partners in close to 20 European countries) will also contribute to the strengthening of European cooperation in the micro-nanoelectronics sector, along the entire value chain, from materials and equipment to components and system design. This program relies on leading industry clusters in Europe, such as Dresden (Germany), Leuven-Eindhoven (Belgium-the Netherlands) and Grenoble-Crolles (France). While we expect to receive public funding under the Nano 2017 agreement in the course of the current quarter, there is no guarantee that the program will be approved or if it is approved, that there will be no modifications that could negatively affect the R&D program, all of which could have a material adverse effect on our results of operations. See "Item 3. Key Information — Risk Factors — Risks Related to Our Operations — If we fail to receive the necessary funding for our R&D program, we may have to reconsider our strategy, which could adversely impact our results of operations" and "— If we fail to meet the condition and approval requirements applicable to public funding, which we have received in the past, we may face demands for repayment, which may increase our costs and impact our results of operations".

A new type of R&D support program was set up in France in 2011, as part of a global rejuvenation effort aimed at research and industry ("Investissements d'Avenir" or IA). This program is coordinated by the CGI (*Commissariat Général aux Investissements d'Avenir*) and targets industrial sectors of high relevance. We have been granted three projects under this frame, which started in 2013: one for "Tours 2015" covering three types of technologies developed in cooperation with public laboratories, one for Rousset "MAGE" targeting the development of ultra-low power secure microcontrollers and one in the area of electricity metering: "So-Grid".

We also benefit from tax credits for R&D activities in several countries (notably in France). R&D tax credits consist of tax benefits granted to companies on an open and non-discriminatory base for their research & development activities. See "Item 5. Operating and Financial Review and Prospects — Results of Operations — Research and Development Expenses".

Funding for R&D activities is the most common form of funding that we receive. Public funding for R&D is recorded as "Other Income and Expenses, net" in our Consolidated Statements of Income and booked pro rata in relation to the relevant cost once the agreement with the respective government agency has been signed and all applicable conditions are met. See Note 2 to our Consolidated Financial Statements.

Government support for capital expenditures funding has been used to support our capital investment. Although receipt of these funds is not directly reflected in our results of operations, the resulting lower amounts recorded in property, plant and equipment costs reduce the level of depreciation recognized by us. See Note 2 to our Consolidated Financial Statements.

As a third category of government funding, we receive some loans, mainly related to large capital investment projects, at preferential interest rates. See Note 13 to our Consolidated Financial Statements.

Funding of programs in France and Italy is subject to annual appropriation, and if such governments or local authorities were unable to provide anticipated funding on a timely basis or if existing government or local-authority-funded programs were curtailed or discontinued, or if we were unable to fulfill our eligibility requirements, such an occurrence could have a material adverse effect on our business, operating results and financial condition. Another reason for the delayed funding execution, after national approval, is the obligation European governments have to notify the European Commission DG Competition when their support exceeds €7.5 million. From time to time, we have experienced delays in the receipt of funding under these programs. As the availability of such funding is substantially outside our control, there can be no assurance that we will continue to benefit from such government support, that sufficient alternative funding would be available if necessary, or that any such alternative funding would be provided on terms as favorable to us as those previously committed. Due to changes in legislation and/or review by the competent administrative or judicial bodies, there can be no assurance that government funding granted to us may not be revoked or challenged or discontinued, in whole or in part, by any competent state or European authority, until the legal time period for challenging or revoking such funding has fully lapsed. See “Item 3. Key Information — Risk Factors — Risks Related to Our Operations — If we fail to meet the condition and approval requirements applicable to public funding we have received in the past, we may face demands for repayment, which may increase our costs and impact our results of operations.”.

Suppliers

We use three main critical types of suppliers in our business: equipment suppliers, raw material suppliers and external silicon foundries and back-end subcontractors.

In the front-end process, we use steppers, scanners, tracking equipment, strippers, chemo-mechanical polishing equipment, cleaners, inspection equipment, etchers, physical and chemical vapor-deposition equipment, implanters, furnaces, testers, probers and other specialized equipment. The manufacturing tools that we use in the back-end process include bonders, burn-in ovens, testers and other specialized equipment. The quality and technology of equipment used in the IC manufacturing process defines the limits of our technology. Demand for increasingly smaller chip structures means that semiconductor producers must quickly incorporate the latest advances in process technology to remain competitive. Advances in process technology cannot occur without commensurate advances in equipment technology, and equipment costs tend to increase as the equipment becomes more sophisticated.

Our manufacturing processes use many raw materials, including silicon wafers, lead frames, mold compound, ceramic packages and chemicals and gases. The prices of many of these raw materials are volatile due to the specificity of the market. We have therefore adopted a “multiple sourcing strategy” designed to protect us from the risk of price disruption. The same strategy applies to supplies for the raw materials used by us to avoid potential material disruption of essential material when industry demand is ramping up. See “Item 3. Key Information — Risk Factors — Risks Related to Our Operations — Because we depend on a limited number of suppliers for raw materials and certain equipment, we may experience supply disruptions if suppliers interrupt supply, increase prices or experience material adverse changes in their financial condition”. Our “multiple sourcing strategy”, our Financial Risk Monitoring (FRISK) as well as the robustness of our supply chain and strong partnership with suppliers are intended to mitigate these risks.

Finally, we also use external subcontractors to outsource wafer manufacturing, as well as assembly and testing of finished products. See “— Property, Plants and Equipment” above.

Environmental Matters

Our manufacturing operations use many chemicals, gases and other hazardous substances, and we are subject to a variety of evolving environmental, health and safety regulations related, among other things, to the use, storage, discharge and disposal of such chemicals and gases and other hazardous substances, emissions and wastes, as well as the investigation and remediation of soil and ground water contamination. In most of the jurisdictions in which we operate, we must obtain permits, licenses and other forms of authorization, or give prior notification, in order to operate. Because a large portion of our manufacturing activities are located in the EU, we are subject to European Commission regulation on environmental protection, as well as regulations of the other jurisdictions where we have operations.

Consistent with our Principles of Sustainable Excellence (“PSE”) and Sustainability Strategy, we have established proactive environmental policies with respect to the handling of chemicals, gases, emissions and waste disposals from our manufacturing operations, and we have not suffered material environmental claims in the past. We believe that our activities comply with presently applicable environmental regulations in all material respects. We have engaged outside consultants to audit all of our environmental activities and created environmental management teams, information systems and training. We have also instituted environmental control procedures for processes used by us as well as our suppliers. As a company, we have been certified to be in compliance with the quality standard ISO9001:2008, with the technical specification ISO/TS16949:2009; with the environmental standards ISO14001 and the European EMAS (Eco Management and Audit Scheme); and with the energy management standard ISO 50001 for all ST Front-end sites.

Our activities are subject to two directives: Directive 2002/95/EC on the restriction of the use of certain hazardous substances in electrical and electronic equipment (“ROHS” Directive, as amended), which was replaced, with effect from January 3, 2013, by Directive 2011/65/EU of June 8, 2011, entitled “ROHS 2” Directive; and Directive 2002/96/EC on waste electrical and electronic equipment (“WEEE” Directive, as amended), which will be replaced, with effect from February 15, 2014 by Directive 2012/19/EU of July 4, 2012. Moreover our products, due to their final applications, may be subject to the end of life vehicles Directive 2000/53/EC ("ELV" Directive, as amended) Directive 2006/66/EC (Battery Directive) and Directive 2007/47/EC (Medical Devices as amended). The ROHS Directive aims at banning the use of lead and other metals and of other flame retardant substances in electric and electronic equipment placed on the market, while the new text is also introducing new requirements within the design and manufacturing phases of the products manufacturing electronic components. The WEEE Directive promotes the recovery and recycling of electrical and electronic waste, while not imposing any "take back" activities to our operations, since ST products, being semiconductor components (not equipment) are excluded from the WEEE take back scope. At this stage, only one subsidiary (located in France) participates to a take back consortium for battery products.

Our activities in the EU are also subject to the European Directive 2003/87/EC (as amended) establishing a scheme for greenhouse gas allowance trading and applicable national legislation. Two of our manufacturing sites (Crolles, France, and Agrate, Italy) have been allocated a quota of greenhouse gas for the period 2008-2012. The Crolles site in France was removed from the allocation scheme in 2010 by the French authorities and our site in Agrate, Italy, was removed from the scheme by the Italian authorities in 2012. We were able to complete the allocation period of 2008-2012 without purchasing any allocation.

We have also implemented voluntary reforestation projects in several countries in order to sequester additional CO2 emissions and report our emissions in our annual Corporate Sustainability Report as well as through the Carbon Disclosure Project.

Regulations implementing the registration, evaluation, authorization and restriction of chemicals ("REACH") came into force in 2008, and are required to be fully implemented by 2018. We intend to proactively implement such legislation, in line with our commitment toward environmental protection. The implementation of any such legislation could adversely affect our manufacturing costs or product sales by requiring us to develop new processes, acquire costly equipment or materials, or to incur other significant expenses in adapting our manufacturing processes or waste and emission disposal processes. However, we are currently unable to evaluate such specific expenses and therefore have no specific reserves for environmental risks. Furthermore, environmental claims or our failure to comply with present or future regulations could result in the assessment of damages or imposition of fines against us, suspension of production or a cessation of operations and, as with other companies engaged in similar activities, any failure by us to control the use of, or adequately restrict the discharge of hazardous substances could subject us to future liabilities. See "Item 3. Key Information — Risk Factors — Risks Related to Our Operations — Some of our production processes and materials are environmentally sensitive, which could expose us to liability and increase our costs due to environmental regulations and laws or because of damage to the environment".

Item 5. Operating and Financial Review and Prospects

Overview

The following discussion should be read in conjunction with our Consolidated Financial Statements and Notes thereto included elsewhere in this Form 20-F. The following discussion contains 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, particularly in the sections "— Critical Accounting Policies Using Significant Estimates", "— Business Outlook", "— Liquidity and Capital Resources" and "— Financial Outlook: Capital Investment". Our actual results may differ significantly from those projected in the forward-looking statements. For a discussion of factors that might cause future actual results to differ materially from our recent results or those projected in the forward-looking statements in addition to the factors set forth below, see "Cautionary Note Regarding Forward-Looking Statements" and Item 3. "Key Information — Risk Factors". We assume no obligation to update the forward-looking statements or such risk factors.

Critical Accounting Policies Using Significant Estimates

The preparation of our Consolidated Financial Statements in accordance with U.S. GAAP requires us to make estimates and assumptions. The primary areas that require significant estimates and judgments by us include, but are not limited to:

- sales returns and allowances;
- determination of the best estimate of the selling price for deliverables in multiple element sale arrangements;

- inventory obsolescence reserves and normal manufacturing capacity thresholds to determine costs capitalized in inventory;
- provisions for litigation and claims and recognition and measurement of loss contingencies;
- valuation at fair value of assets acquired or sold, including intangibles, goodwill, investments and tangible assets;
- annual and trigger-based impairment review of our goodwill and intangible assets, as well as an assessment, in each reporting period, of events, which could trigger interim impairment testing on long-lived assets;
- estimated value of the consideration to be received and used as fair value for asset groups classified as assets held for sale and the assessment of probability of realizing the sale;
- assessment of other-than-temporary impairment charges on financial assets, including equity-method investments;
- restructuring charges and other related exit costs;
- assumptions used in assessing the number of awards expected to vest on stock-based compensation plans;
- assumptions used in calculating pension obligations; and
- determination of the amount of taxes expected to be paid and tax benefit expected to be received, including deferred income tax assets, valuation allowance and provisions for uncertain tax positions and claims.

We base the estimates and assumptions on historical experience and on various other factors such as market trends, market information used by market participants and the latest available business plans that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. While we regularly evaluate our estimates and assumptions, the actual results we experience could differ materially and adversely from our estimates. To the extent there are material differences between our estimates and actual results, future results of operations, cash flows and financial position could be significantly affected.

Our Consolidated Financial Statements include the ST-Ericsson joint ventures; in particular, until the end of August 2013, we fully consolidated ST-Ericsson SA and related affiliates (“JVS”), which was owned 50% plus a controlling share by us. Following the transfer of one share to Ericsson and the new shareholder agreement, we ceased to hold control and to consolidate JVS and started to account for it under the equity method as of September 1, 2013. The other joint venture, focused on fundamental R&D activities, whose parent company is ST-Ericsson AT SA (“JVD”), was owned 50% plus a controlling share by Ericsson and was therefore accounted for by us under the equity method until its sale to Ericsson on August 2, 2013.

We believe the following critical accounting policies require us to make significant judgments and estimates in the preparation of our Consolidated Financial Statements:

Revenue recognition. Our policy is to recognize revenues from sales of products to our customers when all of the following conditions have been met: (a) persuasive evidence of an arrangement exists; (b) delivery has occurred; (c) the selling price is fixed or determinable; and (d) collectability is reasonably assured. Our revenue recognition usually occurs at the time of shipment.

Consistent with standard business practice in the semiconductor industry, price protection is granted to distribution customers on their existing inventory of our products to compensate them for declines in market prices. We accrue a provision for price protection based on a rolling historical price trend computed on a monthly basis as a percentage of gross distributor sales. This historical price trend represents differences in recent months between the invoiced price and the final price to the distributor, adjusted if required, to accommodate for a significant change in the current market price. We record the accrued amounts as a deduction of revenue at the time of our sale to distributors. The ultimate decision to authorize a distributor refund remains fully within our control. The short outstanding inventory time period, our visibility into the standard inventory product pricing and our long distributor pricing history, have enabled us to reliably estimate price protection provisions at period-end. If market conditions differ from our assumptions, this could have an impact on future periods. In particular, if market conditions were to deteriorate, net revenues could be reduced due to higher product returns and price reductions at the time these adjustments occur, which could severely impact our profitability.

Our customers occasionally return our products for technical reasons. Our standard terms and conditions of sale provide that if we determine that products do not conform, we will repair or replace them, or issue a credit note or rebate of the purchase price. In certain cases, when the products we have supplied have been proven to be defective, we have agreed to compensate our customers for claimed damages in order to maintain and enhance our business relationship. Quality returns are usually associated with end-user customers, not with distribution channels. Quality returns are not related to any technological obsolescence issues and are identified shortly after sale in customer quality control testing. We provide for such returns when they are considered probable and can be reasonably estimated. We record the accrued amounts as a reduction of revenue.

Our insurance policy relating to product liability only covers physical and other direct damages caused by defective products. We carry limited insurance against immaterial non-consequential damages. We record a provision for warranty costs as a charge against cost of sales based on historical trends of warranty costs incurred as a percentage of sales which we have determined to be a reasonable estimate of the probable losses to be incurred for warranty claims in a period.

Any potential warranty claims are subject to our determination that we are at fault for damages, and that such claims usually must be submitted within a short period of time following the date of sale. This warranty is given in lieu of all other warranties, conditions or terms expressed or implied by statute or common law. Our contractual terms and conditions typically limit our liability to the sales value of the products that gave rise to the claims.

While the majority of our sales agreements contain standard terms and conditions, we may, from time to time, enter into agreements that contain multiple elements or non-standard terms and conditions, which require revenue recognition judgments. In such cases, following the guidance related to revenue recognition, the arrangement is allocated to the different elements based on vendor-specific objective evidence, third party evidence or our best estimates of the selling price of the separable deliverables. These arrangements generally do not include performance-, cancellation-, termination-, or refund-type provisions.

Trade accounts receivable. We maintain an allowance for doubtful accounts for potential estimated losses resulting from our customers' inability to make required payments. We base our estimates on historical collection trends and record a provision accordingly. Furthermore, we evaluate our customers' financial condition periodically and record a provision for any specific account we consider as doubtful. In 2013, we did not record any new material specific provision related to bankrupt customers. If we receive information that the financial condition of our customers has deteriorated, resulting in an impairment of their ability to make payments, additional allowances could be required.

Business combinations and goodwill. The purchase accounting method applied to business combinations requires extensive use of estimates and judgments to allocate the purchase price to the fair value of the identifiable assets acquired and liabilities assumed. If the assumptions and estimates used to allocate the purchase price are not correct or if business conditions change, purchase price adjustments or future asset impairment charges could be required. At December 31, 2013, the value of goodwill in our Consolidated Balance Sheet amounted to $90 million.

Impairment of goodwill. Goodwill recognized in business combinations is not amortized but is tested for impairment annually in the third quarter, or more frequently if a triggering event indicating a possible impairment exists. Goodwill subject to potential impairment is tested at a reporting unit level, which represents a component of an operating segment for which discrete financial information is available, after performing a qualitative assessment to determine whether an impairment test is necessary, in cases when we have chosen such option. This impairment test determines whether the fair value of each reporting unit for which goodwill is allocated is lower than the total carrying amount of relevant net assets allocated to such reporting unit, including its allocated goodwill. If lower, the implied fair value of the reporting unit goodwill is then compared to the carrying value of the goodwill and an impairment charge is recognized for any excess. In determining the fair value of a reporting unit, we use the lower of a value determined by applying a market approach with financial metrics of comparable public companies compared to an estimate of the expected discounted future cash flows associated with the reporting unit. Significant management judgments and estimates are used in forecasting the future discounted cash flows, including: the applicable industry's sales volume forecast and selling price evolution, the reporting unit's market penetration and its revenues evolution, the market acceptance of certain new technologies and products, the relevant cost structure, the discount rates applied using a weighted average cost of capital and the perpetuity rates used in calculating cash flow terminal values. Our evaluations are based on financial plans updated with the latest available projections of the semiconductor market, our sales expectations and our costs evaluation, and are consistent with the plans and estimates that we use to manage our business. It is possible, however, that the plans and estimates used may prove to be incorrect, and future adverse changes in market conditions, changes in strategies, lack of performance of major customers or operating results of acquired businesses that are not in line with our estimates may require impairments.

We performed our annual impairment test of goodwill on each of our reporting units containing goodwill during the third quarter of 2013. Based upon the first step of the goodwill impairment test, no impairment was recorded for the AMS and MMS reporting units since the fair value of the reporting units exceeded their carrying values by approximately six times. However, we were required, based upon step one, to conduct the second step of the impairment test for the DCG reporting unit whose estimated fair value was lower than its carrying value. Before performing the second step of the goodwill impairment test, we tested the dedicated long-lived assets of DCG for impairment. The result was that all dedicated intangible assets, amounting to $18 million, were fully impaired due to the negative cash flow projected over their remaining useful life. Regarding the tangible fixed assets, their fair value was essentially equal to their carrying value. The second step of the goodwill impairment test was performed, which requires a determination of the implied fair value of goodwill in a manner similar to a purchase price allocation exercise, and therefore to determine the fair value of all assets and liabilities of the DCG reporting unit. These fair values are considered only to determine the impairment charge but are not booked. No other unrecorded intangible assets have been identified and the implied fair value of goodwill is nil leading to an impairment charge for the third quarter of 2013 of $38 million. In summary, as a result of our impairment test in the third quarter of 2013, we recorded a non-cash impairment of $18 million relating to the dedicated intangible assets of the DCG reporting unit and a non-cash impairment of $38 million relating to the remaining goodwill of the DCG reporting unit.

Further impairment charges could also result from new valuations triggered by changes in our product portfolio or strategic alternatives, particularly in the event of a downward shift in future revenues or operating cash flows in relation to our current plans or in case of capital injections by, or equity transfers to, third parties at a value lower than the current carrying value.

Intangible assets subject to amortization. Intangible assets subject to amortization include intangible assets purchased from third parties recorded at cost and intangible assets acquired in business combinations recorded at fair value, comprised of technologies and licenses, trademarks and contractual customer relationships and computer software. Intangible assets with finite useful lives are reflected net of any impairment losses and are amortized over their estimated useful life. We evaluate each reporting period whether there is reason to suspect that intangible assets held for use might not be recoverable. If we identify events or changes in circumstances which are indicative that the carrying amount is not recoverable, we assess whether the carrying value exceeds the undiscounted cash flows associated with the intangible assets. If exceeded, we then evaluate whether an impairment charge is required by determining if the asset's carrying value also exceeds its fair value. An impairment charge is recognized for the excess of the carrying amount over the fair value. Significant management judgments and estimates are required to forecast undiscounted cash flows associated with the intangible assets. Our evaluations are based on financial plans updated with the latest available projections of growth in the semiconductor market and our sales expectations. They are consistent with the plans and estimates that we use to manage our business. It is possible, however, that the plans and estimates used may be incorrect and that future adverse changes in market conditions or operating results of businesses acquired may not be in line with our estimates and may therefore require us to recognize impairment charges on certain intangible assets.

As noted above, following our annual impairment test of goodwill, we recorded an impairment charge of $18 million in the third quarter of 2013 for the intangible assets dedicated to the DCG reporting unit.

We will continue to monitor the carrying value of our assets. If market conditions deteriorate, this could result in future non-cash impairment charges against earnings. Further impairment charges could also result from new valuations triggered by changes in our product portfolio or by strategic transactions, particularly in the event of a downward shift in future revenues or operating cash flows in relation to our current plans or in case of capital injections by, or equity transfers to, third parties at a value lower than the one underlying the carrying amount.

At December 31, 2013, the value of intangible assets subject to amortization in our Consolidated Balance Sheet amounted to $217 million.

Property, plant and equipment. Our business requires substantial investments in technologically advanced manufacturing facilities, which may become significantly underutilized or obsolete as a result of rapid changes in demand and ongoing technological evolution. We estimate the useful life for the majority of our manufacturing equipment, the largest component of our long-lived assets, to be six years, except for our 300-mm manufacturing equipment whose useful life is estimated to be ten years. This estimate is based on our experience using the equipment over time. Depreciation expense is a major element of our manufacturing cost structure. We begin to depreciate newly acquired equipment when it is placed into service.

We evaluate each reporting period if there is reason to suspect impairment on tangible assets or groups of assets held for use and we perform an impairment review when there is reason to suspect that the carrying value of these long-lived assets might not be recoverable, particularly in case of a restructuring plan. If we identify events or changes in circumstances which are indicative that the carrying amount is not recoverable, we assess whether the carrying value exceeds the undiscounted cash flows associated with the tangible assets or group of assets. If exceeded, we then evaluate whether an impairment charge is required by determining if the asset's carrying value also exceeds its fair value. We normally estimate this fair value based on independent market appraisals or the sum of discounted future cash flows, using market assumptions such as the utilization of our fabrication facilities and the ability to upgrade such facilities, change in the selling price and the adoption of new technologies. We also evaluate and adjust, if appropriate, the assets' useful lives at each Balance Sheet date or when impairment indicators are identified. Assets classified as held for sale are reported as current assets at the lower of their carrying amount and fair value less costs to sell and are not depreciated. Costs to sell include incremental direct costs to transact the sale that we would not have incurred except for the decision to sell. In 2013 we recorded an impairment charge of $29 million on property, plant and equipment following the decision to shut down one of our 150-mm fabs in Ang Mo Kio (AMKJ9 Singapore).

Our evaluations are based on financial plans updated with the latest projections of growth in the semiconductor market and our sales expectations, from which we derive the future production needs and loading of our manufacturing facilities, and which are consistent with the plans and estimates that we use to manage our business. These plans are highly variable due to the high volatility of the semiconductor business and therefore are subject to continuous modifications. If future growth differs from the estimates used in our plans, in terms of both market growth and production allocation to our manufacturing plants, this could require a further review of the carrying amount of our tangible assets and result in a potential impairment loss.

Inventory. Inventory is stated at the lower of cost or market value. Cost is based on the weighted average cost by adjusting the standard cost to approximate actual manufacturing costs on a quarterly basis; therefore, the cost is dependent on our manufacturing performance. In the case of underutilization of our manufacturing facilities, we estimate the costs associated with the excess capacity. These costs are not included in the valuation of inventory but are charged directly to cost of sales. Market value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses and cost of completion. As required, we evaluate inventory acquired in business combinations at fair value, less completion and distribution costs and related margin.

While we perform, on a continuous basis, inventory write-offs of products and semi-finished products, the valuation of inventory requires us to estimate a reserve for obsolete or excess inventory as well as inventory that is not of saleable quality. Reserve for obsolescence is estimated for excess uncommitted inventories based on the previous quarter's sales, order backlog and production plans. To the extent that future negative market conditions generate order backlog cancellations and declining sales, or if future conditions are less favorable than the projected revenue assumptions, we could record additional inventory reserve, which would have a negative impact on our gross margin.

Restructuring charges. We have undertaken, and we may continue to undertake, significant restructuring initiatives, which have required us, or may require us in the future, to develop formalized plans for exiting any of our existing activities. We recognize the fair value of a liability for costs associated with exiting an activity when we have a present obligation and the amount can be reasonably estimated. Given the significance and timing of the execution of our restructuring activities, the process is complex and involves periodic reviews of estimates made at the time the original decisions were taken. This process can require more than one year due to requisite governmental and customer approvals and our capability to transfer technology and know-how to other locations. As we operate in a highly cyclical industry, we monitor and evaluate business conditions on a regular basis. If broader or newer initiatives, which could include production curtailment or closure of other manufacturing facilities, were to be taken, we may incur additional charges as well as change estimates of the amounts previously recorded. The potential impact of these changes could be material and could have a material adverse effect on our results of operations or financial condition. In 2013, the restructuring charges and other related closure costs amounted to $183 million before taxes, mainly in connection with our ongoing initiative to reduce quarterly net operating expenses, comprised of combined selling, general and administrative and research and development expenses, net of R&D grants, in the range of $600 to $650 million, and the ST-Ericsson exit.

ST-Ericsson break-up. Pursuant to the memorandum of understanding with Ericsson, which described the principles for the break-up and wind-down of the ST-Ericsson joint venture, ST-Ericsson activities were split into three main parts. The first part included the design, development and related expenses associated with the R&D costs for the LTE multimode thin modem products, which since March 2, 2013, has been fully funded by Ericsson. The second part related to the ST-Ericsson business on existing products, French and Italian employees and the Calamba and Muar facilities, which have been, since March 2, 2013, fully accounted for in our accounts with no attribution to noncontrolling interest in our Consolidated Statement of Income. The third part was related to the wind-down activities remaining at ST-Ericsson, equally funded by both parties.

On July 17, 2013, we and Ericsson signed a Definitive Framework Agreement in line with the principles described above, which established the split of ST-Ericsson's activities between ST and Ericsson, the form of the transfers, the allocation of intangibles, the allocation of intellectual property, the assumption of liabilities, the principle of a balanced break-up applied through equal cash funding at closing and the tail payment by Ericsson to ST in case of an onward sale by Ericsson of the LTE multimode thin modem business. In addition, we and Ericsson also signed funding commitment letters to the residual joint wind-down operations to ensure solvency capped at $149 million for each partner. Additionally, Ericsson and ST have released an indemnity letter, on terms that are customary under such circumstances, to ST-Ericsson's directors and officers, which include the CEO, the CFO and other senior executives of our company.

On August 2, 2013, the transaction closed and various activities were transferred to the respective parents, including the sale of our shares in ST-Ericsson JVD, and the sale by ST-Ericsson JVS of its Swedish subsidiary, in each case, to Ericsson. At the same time, certain businesses have been sold by ST-Ericsson to third parties.

At the beginning of September 2013, we sold one share of ST-Ericsson JVS to Ericsson for its nominal value and signed the new shareholder agreement, changing the ownership structure of ST-Ericsson JVS to bring both partners to an equal ownership proportion. As a consequence, we determined that while we no longer have control over the entity, we retain a significant influence and account for it under the equity method.

As a result of the foregoing, the ST-Ericsson break-up was completed during the third quarter of 2013 and ST-Ericsson results have been deconsolidated since September 1, 2013.

Share-based compensation. We measure the cost of share-based service awards based on the fair value of the award on the grant date. In 2013, our share-based compensation plans awarded shares contingent on the achievement of certain performance conditions based on financial objectives, including our financial results when compared to certain industry performances. In 2013, approximately one-half of the shares awarded were contingent on the achievement of certain performance conditions. In order to determine share-based compensation to be recorded for the period, we use significant estimates on the number of awards expected to vest, including the probability of achieving the fixed performance conditions including those relating to industry performances compared to our financial results, and our best estimates of award forfeitures and employees' service periods. Our assumptions related to industry performance are generally taken with a one quarter lag in line with the availability of market information. In 2013, we recorded a total charge of approximately $26 million relating to our outstanding stock award plans.

Income (*loss*) *on Equity-method Investments*. We record our share in the results of entities that we account for under the equity method. This recognition is based on results reported by these entities, relying on their internal reporting systems to measure financial results. In case of triggering events, such as continuing difficult market conditions, which could lead to continued operating losses and negative cash flow, or in the case of a strategic repositioning by one or more of our partners, we determine whether our investment is temporarily or other-than-temporarily impaired. If impairment is considered to be other-than-temporary, we need to assess the fair value of our investment and record an impairment charge directly in earnings when fair value is lower than the carrying value of the investment. We make this assessment by evaluating the business on the basis of the most recent plans and projections or to the best of our estimates. In 2013, we recognized a loss of approximately $104 million related to our equity investment in 3Sun largely due to a non-cash charge of $69 million on our equity value in 3Sun as share of losses in the investment due to impairment charges reported by 3Sun. As of December 31, 2013, we reported $30 million assets related to the combination of equity investment and parent loan in 3Sun. In addition, we recognized a loss of $18 million related to other investments, including our share of losses in ST-Ericsson JVS for about $7 million which has been accounted for under the equity method since September 1, 2013 and a loss of approximately $6 million related to our equity investment in MicroOLED SAS, primarily corresponding to the impairment of our remaining investment. We are continuing to monitor our equity investments and, if required, additional other-than-temporary impairment charges could negatively impact our future results. As of December 31, 2013, the value in our Consolidated Balance Sheets of our equity investments was $63 million.

Financial assets. We classify our financial assets in the following two categories, trading and available-for-sale. Such classification depends on the purpose for which the investments are acquired. We determine the classification of our financial assets at initial recognition. Unlisted equity securities with no readily determinable fair value are carried at cost; they are neither classified as trading nor as available-for-sale financial assets.

Trading and available-for-sale financial assets are measured at fair value. The fair value of quoted debt and equity securities is based on current market prices. If the market for a financial asset is not active, if no observable market price is obtainable, or if the security is not quoted, we measure fair value by using assumptions and estimates. For unquoted equity securities, these assumptions and estimates include the use of recent arm's-length transactions; for debt securities without available observable market price, we establish fair value by reference to publicly available indexes of securities with the same rating and comparable or similar underlying collaterals or industries' exposure, which we believe approximates the amount that would be received from the sale of the asset in an orderly transaction between market participants. In measuring fair value, we make maximum use of market inputs and minimize the use of unobservable inputs. As of December 31, 2013, the value in our Consolidated Balance Sheet of our financial assets was $57 million invested in senior debt floating rate notes classified as assets available-for-sale.

Income taxes. We make estimates and judgments in determining income tax for the period, comprising current and deferred income tax. We need to assess the income tax expected to be paid or the tax benefit expected to be received related to the current year taxable profit and loss in each individual tax jurisdiction and recognize deferred income tax for all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the Consolidated Financial Statements. Furthermore, we assess all material open income tax positions in all tax jurisdictions to determine any uncertain tax positions, and to record a provision for those that are not more likely than not to be sustained upon examination by the taxing authorities, which could require potential tax claims or assessments in various jurisdictions. In such an event and in case any tax assessment exceeds our provisions, we could be required to record additional charges in our accounts, which could significantly exceed our best estimates and our existing provisions.

We also assess the likelihood of realization of our deferred tax assets originated by our net operating loss carry forwards. The ultimate realization of deferred tax assets is dependent upon, among other things, our ability to generate future taxable profit available against loss carry forwards or tax credits before their expiration or our ability to implement prudent and feasible tax planning strategies or the possibility to settle uncertain tax positions against available net operating loss carry forwards or similar tax losses and credits. We record a valuation allowance against the deferred tax assets when we consider it is more likely than not that the deferred tax assets will not be realized.

As of December 31, 2013, we had current deferred tax assets of $123 million and non-current deferred tax assets of $227 million, net of valuation allowances.

We could be required to record further valuation allowances thereby reducing the amount of total deferred tax assets, resulting in an increase of our income tax charge, if our estimates of projected future taxable income and benefits from available tax strategies are reduced as a result of a change in our assessment or due to other factors, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of our ability to utilize net operating losses and tax credit carry-forwards in the future. Likewise, a change in the tax rates applicable in the various jurisdictions or unfavorable outcomes of any ongoing tax audits could have a material impact on our future tax provisions in the periods in which these changes could occur.

Patent and other Intellectual Property ("*IP*") *litigation or claims*. As is the case with many companies in the semiconductor industry, we have from time to time received, and may in the future receive, communications alleging possible infringement of patents and other IP rights of third parties. Furthermore, we may become involved in costly litigation brought against us regarding patents, mask works, copyrights, trademarks or trade secrets. In the event the outcome of a litigation claim is unfavorable to us, we may be required to take a license for the underlying IP right on economically unfavorable terms and conditions, possibly pay damages for prior use, and/or face an injunction, all of which singly or in the aggregate could have a material adverse effect on our results of operations and on our ability to compete. See "Item 3. Key Information — Risk Factors — Risks Related to Our Operations — We depend on patents to protect our rights to our technology and may face claims of infringing the IP rights of others".

We record a provision when we believe that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We regularly evaluate losses and claims to determine whether they need to be adjusted based on current information available to us. Such estimates are difficult to the extent that they are largely dependent on the status of ongoing litigation that may vary based on positions taken by the Court with respect to issues submitted, demands of opposing parties, changing laws, discovery of new facts or other matters of fact or law. As of December 31, 2013, based on our current evaluation of ongoing litigation and claims we face, we have not estimated any amounts that could have a material impact on our results of operations and financial condition with respect to probable risks. We currently estimate that possible losses for known claims are in the range of $30 million to $50 million. In the event of litigation that is adversely determined with respect to our interests, or in the event that we need to change our evaluation of a potential third-party claim based on new evidence, facts or communications, unexpected rulings or changes in the law, this could have a material adverse effect on our results of operations or financial condition at the time it were to materialize. We are in discussion with several parties with respect to claims against us relating to possible infringement of IP rights. We are also involved in certain legal proceedings concerning such issues. See "Item 8. Financial Information — Legal Proceedings".

Other claims. We are subject to the possibility of loss contingencies arising in the ordinary course of business. These include, but are not limited to: warranty costs on our products not covered by insurance, breach of contract claims, tax claims beyond assessed uncertain tax positions as well as claims for environmental damages. We are also exposed to numerous legal risks which until now have not resulted in legal disputes and proceedings. These include risks related to product recalls, environment, anti-trust, anti-corruption and competition as well as other compliance regulations. We may also face claims in the event of breaches of law committed by individual employees or third parties. In determining loss contingencies, we consider the likelihood of a loss of an asset or the occurrence of a liability, as well as our ability to reasonably estimate the amount of such loss or liability. An estimated loss is recorded when we believe that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We regularly re-evaluate any losses and claims and determine whether our provisions need to be adjusted based on the current information available to us. As of December 31, 2013, based on our current evaluation of ongoing litigation and claims we face, we have not estimated any amounts that could have a material impact on our results of operations and financial condition with respect to either probable or possible risks. In the event we are unable to accurately estimate the amount of such loss in a correct and timely manner, this could have a material adverse effect on our results of operations or financial condition at the time such loss was to materialize. For further details of our legal proceedings refer to "Item 8. Financial Information — Legal Proceedings" and Note 22 to our Consolidated Financial Statements.

There can be no assurance that all IP litigation or claims and other claims to which we are currently subject will be resolved in our favor or as currently anticipated. If the outcome of any claim or litigation were to be unfavorable to us, we could incur monetary damages, and/or face an injunction, all of which singly or in the aggregate could have an adverse effect on our results of operations and our ability to compete.

Pension and Post-Employment Benefits. Our results of operations and our Consolidated Balance Sheets include amounts for pension obligations and post-employment benefits that are measured using actuarial valuations. At December 31, 2013, our pension and post-employment benefit obligations net of plan assets amounted to $366 million. These valuations are based on key assumptions, including discount rates, expected long-term rates of return on funds, turnover rates and salary increase rates. These assumptions used in the determination of the net periodic benefit cost are updated on an annual basis at the beginning of each fiscal year or more frequently upon the occurrence of significant events. Any changes in the pension schemes or in the above assumptions can have an impact on our valuations. The measurement date we use for our plans is December 31.

As a consequence of our decision to downsize our UK operations, we have proposed that the UK pension schemes (the Bristol Scheme and the Marlow Scheme) be merged, which will generate moderate funding savings and provide the Trustees with additional security through a larger and stronger principal employer. The merger of the two schemes is still under discussion with the Trustees and is not expected to materially change our pension liabilities.

Fiscal Year 2013

Under Article 35 of our Articles of Association, our financial year extends from January 1 to December 31, which is the period end of each fiscal year. The first quarter of 2013 ended on March 30, 2013. The second quarter of 2013 ended on June 29, 2013 and the third quarter of 2013 ended on September 28, 2013. The fourth quarter of 2013 ended on December 31, 2013. Based on our fiscal calendar, the distribution of our revenues and expenses by quarter may be unbalanced due to a different number of days in the various quarters of the fiscal year.

In 2014 the first quarter will end on March 29, the second quarter will end on June 28, the third quarter will end on September 27 and the fourth quarter will end on December 31.

2013 Business Overview

The total available market is defined as the "TAM", while the serviceable available market, the "SAM", is defined as the market for products produced by us (which consists of the TAM and excludes major devices such as Microprocessors ("MPUs"), DRAMs, optoelectronics devices and Flash Memories and, as a consequence of our exit from ST-Ericsson activities, excludes also the Wireless Application Specific market (Broadband and Application Processor)).

Based on published industry data by WSTS, semiconductor industry revenues increased in 2013 on a year-over-year basis by approximately 5% for the TAM to reach about $306 billion. The SAM declined by approximately 2% to reach about $139 billion. In the fourth quarter, the TAM and the SAM increased on a year-over-year basis by approximately 8% and 3%, respectively. Sequentially, in the fourth quarter of 2013, the TAM and the SAM decreased by approximately 1% and 2%, respectively.

With reference to our business performance, in 2013, we registered a decline of 4.8% in terms of revenues as a consequence of our exit from ST-Ericsson. Excluding the Wireless product line, our revenues increased 3.2%, a better performance than the SAM, with the main contributions coming from our microcontrollers and automotive products. We also made good progress on our customer diversification, mass market and distribution initiatives, with no customers above 10% and an increase of revenues in distribution, which was up by approximately 3 percentage points, reaching a 26% share of total revenues. Our fourth quarter 2013 revenues amounted to $2,015 million, a 0.1% increase on a sequential basis, within our guidance (flat, plus or minus 3.5 percentage points). The sequential increase in our revenues is the result of an increase of 2.3% in our Sense & Power and Automotive Products (SP&A) segment, while our Embedded Processing Solutions (EPS) segment decreased by 3.2%, mainly due to declining revenues in IBP product line by 11.7%.

On a year-over year basis, our revenues decreased by 6.8%, which is the result of an increase of 4.2% in our SP&A segment whereas our EPS segment decreased 19.4%, mainly driven by the phasing out of the Wireless product line and weak demand for set-top box legacy products in the Digital Convergence product line. Excluding the Wireless product line, on a year-over-year basis, our revenues in the fourth quarter of 2013 increased by 3.9% and EPS revenues by 5.0%.

Our effective average exchange rate for 2013 and 2012 was $1.31 for €1.00. Our effective average exchange rate for the fourth quarter of 2013 was $1.34 for €1.00, compared to $1.31 for €1.00 for the third quarter of 2013 and $1.30 for €1.00 in the fourth quarter of 2012. For a more detailed discussion of our hedging arrangements and the impact of fluctuations in exchange rates, see "Impact of Changes in Exchange Rates" below.

Our 2013 gross margin was 32.3% of revenues, decreasing by 50 basis points compared to the prior year, primarily due to the negative impact of selling prices and lower technology licensing revenues, partially offset by improved manufacturing efficiencies, lower unused capacity charges and the absence of the $53 million one-time charge related to the 2012 arbitration award to NXP. Our fourth quarter 2013 gross margin was 32.9%, increasing by 50 basis points on a sequential basis, reflecting improved manufacturing efficiencies, partially offset by a negative currency effect, the negative impact of selling prices and a higher amount of unused capacity charges. Our fourth quarter 2013 gross margin was within our guidance (33% plus or minus 2 percentage points).

In 2013, we made solid progress in executing the strategy we announced in December 2012 but we still have much to accomplish. We completed the split up of ST-Ericsson in a timely manner and by adding some of their competencies, we strengthened our product development teams. Our combined selling, general and administrative (SG&A) and research and development (R&D) expenses amounted to $2,882 million, a significant decrease compared to $3,579 million in the prior year, primarily due to the ST-Ericsson wind-down and the initial benefits of our ongoing restructuring initiatives. Furthermore, we brought our fourth quarter 2013 operating expenses down by about 25% compared to the year-ago quarter and our fourth quarter net operating expenses (combined SG&A and R&D expenses net of R&D grants) within our target range of $600 million to $650 million per quarter. We also started to make gradual structural changes to our manufacturing footprint which will benefit our gross margin and we announced a key frame agreement with the French government to support our R&D efforts for CMOS derivative technology.

Impairment and restructuring charges significantly decreased to $292 million from $1,376 million in 2012 mainly due to lower impairment charges. 2012 included a $1,234 million non-cash impairment charge on Wireless goodwill and other intangible assets.

Our operating losses were $465 million in 2013, improving compared to the loss of $2,081 million in 2012. The improvement in our operating losses in 2013 was mainly driven by our reduction of operating expenses and lower impairment charges. By product segment, the main improvement was registered by EPS which benefited from our exit of ST-Ericsson. Fourth quarter operating result before impairment and restructuring charges was an $18 million operating income improving from an operating loss of $142 million in the prior year quarter, mainly due to a reduction in operating expenses primarily due to our exit of ST-Ericsson and the benefits of our ongoing restructuring initiatives. Furthermore, our free cash flow was positive in the fourth quarter of 2013.

Business Outlook

In the first quarter, we expect overall revenues to decrease sequentially by about 9.5% at the midpoint plus or minus 3.5% percentage points. First quarter revenues reflect, on top of seasonality including the New Year holiday in Asia, a drop in revenues from ST-Ericsson legacy products of more than half from the fourth quarter of 2013 level. As a result, gross margin in the first quarter is expected to be about 32.4%, plus or minus 2.0 percentage points.

While the semiconductor market did not perform as expected in 2013, we are encouraged by the positive macro-economic signs and by the market dynamics expected in 2014. We are well positioned to capture opportunities and to continue to grow faster than the market we serve as we focus on product leadership in Sense & Power and Automotive and in Embedded Processing.

In 2014, we plan to advance towards our operating margin target of about 10%, expected by mid-2015, based on a combination of revenue growth, gross margin improvement and reduction of net expenses towards the low end of our target range.

We expect the Nano-2017 R&D grants to become effective in the first quarter of 2014, subject to the approval by the European Union. There is no guarantee that the program will be approved or if it is approved, that there will be no modifications that could negatively affect the R&D program, all of which could have a material adverse effect on our results of operations. See "Item 3. Key Information — Risk Factors — Risks Related to Our Operations — If we fail to receive the necessary funding for our R&D program, we may have to reconsider our strategy, which could adversely impact our results of operations."

This outlook is based on an assumed effective currency exchange rate of approximately $1.35 to €1.00 for the 2014 first quarter and includes the impact of existing hedging contracts. The first quarter will close on March 29, 2014.

These are forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially; in particular, refer to those known risks and uncertainties described in "Cautionary Note Regarding Forward-Looking Statements" and "Item 3. Key Information — Risk Factors" herein.

Other Developments

On March 11, 2013, we re-asserted our MEMS technology and patent leadership with the filing, by our U.S. subsidiary, STMicroelectronics, Inc., of a complaint with the United States International Trade Commission (ITC) requesting an investigation into the alleged infringement of five ST patents covering all of InvenSense, Inc.'s MEMS device offerings, as well as products from two of InvenSense's customers, Black and Decker, Inc. and Roku, Inc. As part of the filing, we requested that the ITC issue an order excluding InvenSense's infringing gyroscopes and accelerometers, as well its customers' products that include those InvenSense devices, from importation into the United States. On February 10, 2014, we announced that we have settled all pending proceedings between us and InvenSense and have entered into a patent cross license agreement. Under the terms of the settlement, InvenSense made a one-time $15 million payment in the first quarter of 2014 but neither we nor InvenSense has made any admission of liability. We will collect royalties under the terms of the patent cross license in the future. The expected royalties will not be material to our financial results. Other terms between the parties are confidential.

On May 28, 2013, we announced that ST-Ericsson sold the assets and intellectual property rights associated with its mobile connectivity Global Navigation Satellite System business to a leading semiconductor company.

In addition to the assets and intellectual property rights associated with this business, a world class team of 130 industry veterans located in Daventry (UK), Bangalore (India) and Singapore joined the buyer at closing of the transaction which occurred in August 2013. A gain of $66 million has been registered in our consolidated financial statements. On August 5, 2013, we and Ericsson announced the closing of the split up of ST-Ericsson, less than nine months after we announced our strategic plan. We have taken on some of the existing ST-Ericsson products as well as certain assembly and test facilities. In total, approximately 1,000 employees have joined STMicroelectronics.

On March 17, 2013, we repaid with available cash the residual outstanding 2013 Senior Bonds.

On March 26, 2013, we signed a new Euro 350 million loan agreement with the European Investment Bank ("EIB"). The facility, with final maturity eight years after disbursement, was fully drawn by us in the fourth quarter of 2013 in U.S. dollars. This new facility supports our activities in R&D and innovation related to the design and realization of the next generation of technologies and electronic devices.

On May 21, 2013, we announced our leadership of Places2Be, a 3-year, €360 million advanced-technology pilot-line project with the participation of 18 other leading European companies and academic institutions to support the industrialization of Fully-Depleted Silicon-On-Insulator (FD-SOI) microelectronics technology. Places2Be ("Pilot Lines for Advanced CMOS Enhanced by SOI in 2x nodes, Built in Europe") aims to support the deployment of an FD-SOI pilot line at 28-nm and the subsequent node, as well as a dual source that will enable volume manufacturing in Europe. Places2Be will drive the creation of a European microelectronics design ecosystem using this FD-SOI platform and explore the path towards the next step for this technology (14/10-nm).

On June 17, 2013, we announced that we had signed a comprehensive agreement with Rambus Inc. expanding existing licenses between the two companies, settling all outstanding claims, and committing both organizations to explore additional opportunities for collaboration. The multifaceted agreement gives Rambus access to our Fully-Depleted Silicon On Insulator (FD-SOI) process-technology design environment while giving us secured license terms from the Cryptography Research, Inc. (CRI) division of Rambus that makes it possible for us to expand deployment of security technology for banking, identity, PayTV, video gaming, smartphones, and government, across a wider range of products.

- Our Annual General Meeting of Shareholders was held on June 21, 2013 in Amsterdam and, among others, the following decisions were adopted by our Shareholders:
- The adoption of our 2012 Statutory Annual Accounts prepared in accordance with International Financial Reporting Standards (IFRS);
- The distribution of a semi-annual cash dividend of US$0.10 in the second quarter of 2013, and of US$0.10 in the third quarter of 2013, per common share, to be paid in June and September of 2013;
- Approval of the stock-based portion of the compensation of our President and CEO;
- The appointment of Ms. Janet Davidson as a new member of the Supervisory Board for a three-year term, expiring at the 2016 Annual General Meeting of Shareholders, as a replacement for Mr. Raymond Bingham, whose mandate has expired;
- The reappointment of Mr. Alessandro Ovi as member of the Supervisory Board for a three-year term, expiring at the 2016 Annual General Meeting of Shareholders;
- The amendment of the compensation scheme of the Supervisory Board;
- The approval of a new four-year Unvested Stock Award Plan for Management and Key Employees; and
- Authorization to our Managing Board, for eighteen months as of our 2013 Annual General Meeting, to repurchase our shares, subject to the approval of our Supervisory Board.

On July 22, 2013, we announced the Nano-2017 Research and Development program, a five-year public-private strategic R&D program led by us to further advance our leadership in key embedded processing solutions and technologies. The project draws support from a broad coalition of French national, regional and local authorities as well as by the European community through the ENIAC Joint Technology Initiative. Funding for the program is subject to approval by the European Commission. Ultimately, Nano-2017 strengthens our leadership in such key technologies as FD-SOI (low-power, high-performance processing), next-generation imaging (sensors and image signal processors), and next-generation embedded non-volatile memories. These technologies are at the core of our embedded processing solutions which include microcontrollers, imaging solutions, digital consumer products, application processors and digital ASICs.

On July 24, 2013, we announced the publication of our 2012 Sustainability Report. Our sixteenth annual Sustainability Report contains comprehensive details of our Sustainability strategy, policies and performance during 2012.

On December 2, 2013, we announced that our Shareholders had adopted all resolutions proposed at the Extraordinary General Meeting ("EGM") held on December 2, 2013:

- The distribution of a cash dividend of US$0.10 per common share for each of the fourth quarter of 2013 and first quarter of 2014; and
- An amendment of our Articles of Association authorizing the Supervisory Board, in addition to the General Meeting of Shareholders, to resolve upon the distribution of quarterly dividends from the reserves of the Company. Immediately after the EGM was held, the Articles of Association of the Company were amended by means of the execution of a notarial deed of amendment.

Results of Operations

Segment Information

We operate in two business areas: Semiconductors and Subsystems.

In the Semiconductors business area, we design, develop, manufacture and market a broad range of products, including discrete and standard commodity components, application-specific integrated circuits ("ASICs"), full-custom devices and semi-custom devices and application-specific standard products ("ASSPs") for analog, digital and mixed-signal applications. In addition, we further participate in the manufacturing value chain of Smartcard products, which include the production and sale of both silicon chips and Smartcards.

Effective January 1, 2013, our segment reporting reflects our strategy announced on December 10, 2012. Our strategy takes into account the evolution of the markets we are in and the environment we see in the years to come and is based on our leadership in our two product segments, supported by a Sales & Marketing organization with a particular focus on our major accounts, as well as expanding our penetration of the mass market and focusing on five growth drivers: Automotive Products, Application Processors, including Digital Consumer Products, MEMS and Sensors, Microcontrollers and Smart Power.

Our segments are as follows:

- Sense & Power and Automotive Products (SP&A), including the following product lines:
  - Automotive (APG);
  - Industrial & Power Discrete (IPD);
  - Analog & MEMS (AMS); and
  - Other SP&A;
- Embedded Processing Solutions (EPS), comprised of the following product lines:
  - Digital Convergence Group (DCG);
  - Imaging, BiCMOS ASIC and Silicon Photonics (IBP);
  - Microcontrollers, Memory & Security (MMS);
  - Wireless (WPS); and
  - Other EPS.

In 2013, we revised our results from prior periods in accordance with the new segment structure. The preparation of segment information based on the current segment structure requires us to make estimates and assumptions in determining the operating income (loss) of the segments for the prior reporting periods. We believe that the revised 2012 and 2011 presentation is consistent with that of 2013 and we use these comparatives when managing our company.

In the Subsystems business area, we design, develop, manufacture and market subsystems and modules for the telecommunications, automotive and industrial markets including mobile phone accessories, battery chargers, ISDN power supplies and in-vehicle equipment for electronic toll payment. Based on its immateriality to our business as a whole, the Subsystems business area does not meet the requirements for a reportable segment as defined in the guidance on disclosures about segments of an enterprise and related information. All the financial values related to Subsystems including net revenues and related costs, are reported in the segment "Others".

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The following tables present our consolidated net revenues and consolidated operating income (loss) by product segment. For the computation of the segments' internal financial measurements, we use certain internal rules of allocation for the costs not directly chargeable to the segments, including cost of sales, selling, general and administrative ("SG&A") expenses and a part of research and development ("R&D") expenses. In compliance with our internal policies, certain cost items are not charged to the segments, including impairment, restructuring charges and other related closure costs, including ST-Ericsson plans, unused capacity charges, phase-out and start-up costs of certain manufacturing facilities, certain one-time corporate items such as the 2012 NXP arbitration award charge, strategic and special R&D programs or other corporate-sponsored initiatives, including certain corporate-level operating expenses and certain other miscellaneous charges. In addition, depreciation and amortization expense is part of the manufacturing costs allocated to the product segments and is neither identified as part of the inventory variation nor as part of the unused capacity charges; therefore, it cannot be isolated in the costs of goods sold.

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Net revenues by product line and product segment:			
Automotive (APG)	$1,668	$1,554	$1,678
Industrial & Power Discrete (IPD)	1,801	1,747	2,104
Analog & MEMS (AMS)	1,306	1,320	1,335
Other SP&A	—	1	3
Sense & Power and Automotive Products (SP&A)	**4,775**	**4,622**	**5,120**
Digital Convergence Group (DCG)	735	888	1,084
Imaging, BiCMOS ASIC and Silicon Photonics (IBP)	462	437	722
Microcontrollers, Memory & Security (MMS)	1,367	1,147	1,175
Wireless (WPS)	704	1,345	1,552
Other EPS	1	9	33
Embedded Processing Solutions (EPS)	**3,269**	**3,826**	**4,566**
Others(1)	38	45	49
Total consolidated net revenues	**$8,082**	**$8,493**	**$9,735**

(1) In 2013, "Others" includes revenues from the sales of Subsystems ($18 million) and sales of materials and other products not allocated to product segments ($20 million).

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Operating income (loss) by product segment:			
Sense & Power and Automotive Products (SP&A)	$ 270	$ 409	$ 757
Embedded Processing Solutions (EPS)(1)	(399)	(883)	(489)
Others(2)	(336)	(1,607)	(222)
Total consolidated operating income (loss)	**$ (465)**	**$(2,081)**	**$ 46**
		(As a percentage of net revenues)	
Operating income (loss) by product segment:			
Sense & Power and Automotive Products (SP&A)(3)	5.7%	8.8%	14.8%
Embedded Processing Solutions (EPS)(1)(3)	(12.2)%	(23.1)%	(10.7)%
Others(2)	—	—	—
Total consolidated operating income (loss)(4)	**(5.8)%**	**(24.5)%**	**0.5%**

(1) The majority of Wireless' activities included in EPS were run through ST-Ericsson JVS. In addition, Wireless includes other items affecting operating results related to the Wireless business. The noncontrolling interest of Ericsson in ST-Ericsson JVS' operating results (which are 100% included in Wireless) was credited on the line "Net loss (income) attributable to noncontrolling interest" of our Consolidated Statements of Income until the deconsolidation. Since September 1, 2013, ST-Ericsson JVS has been accounted for as an equity investment.

(2) Operating loss of "Others" includes items such as impairment, restructuring charges and other related closure costs including ST-Ericsson plans, unused capacity charges, phase-out and start-up costs of certain manufacturing facilities, certain one-time corporate items such as the 2012 NXP arbitration award charge and other unallocated expenses such as: strategic or special R&D programs, certain corporate-level operating expenses and other costs that are not allocated to the product segments, as well as operating earnings of the Subsystems and Other Products Group.

(3) As a percentage of net revenues per product segment.
(4) As a percentage of total net revenues.

	Year Ended December 31, 2013	2012	2011
	(In millions)		
Reconciliation to consolidated operating income (loss):			
Total operating income (loss) of product segments	$(129)	$ (474)	$ 268
Unused capacity charges	(32)	(172)	(149)
Impairment, restructuring charges and other related closure costs	(292)	(1,376)	(75)
Strategic and other research and development programs	(15)	(12)	(13)
Phase-out and start-up costs	(5)	—	(8)
NXP arbitration award	—	(54)	—
Other non-allocated provisions[1]	8	7	23
Total operating loss Others	(336)	(1,607)	(222)
Total consolidated operating income (loss)	**$(465)**	**$(2,081)**	**$ 46**

(1) Includes unallocated income and expenses such as certain corporate-level operating expenses and other costs/income that are not allocated to the product segments.

Net revenues by location of shipment and by market channel

The table below sets forth information on our net revenues by location of shipment:

	Year Ended December 31, 2013	2012	2011
	(In millions)		
Net Revenues by Location of Shipment:[1]			
EMEA	$1,958	$2,100	$2,328
Americas	1,221	1,253	1,342
Greater China-South Asia	3,400	3,555	4,359
Japan-Korea	1,503	1,585	1,706
Total	**$8,082**	**$8,493**	**$9,735**

(1) Net revenues by location of shipment are classified by location of customer invoiced or reclassified by shipment destination in line with customer demand. For example, products ordered by U.S.-based companies to be invoiced to Greater China-South Asia affiliates are classified as Greater China-South Asia revenues. Furthermore, the comparison among the different periods may be affected by shifts in shipment from one location to another, as requested by our customers.

The table below shows our net revenues by market channel in percentage of net revenue:

	Year Ended December 31, 2013	2012	2011
	(As percentage of net revenues)		
Net Revenues by Market Channel:[1]			
OEM	74.4	77.6	77.3
Distribution	25.6	22.4	22.7
Total	**100.0%**	**100.0%**	**100.0%**

(1) Original Equipment Manufacturers (“OEM”) are the end-customers to which we provide direct marketing application engineering support, while Distribution customers refers to the distributors and representatives that we engage to distribute our products around the world.

The following table sets forth certain financial data from our Consolidated Statements of Income, expressed in each case as a percentage of net revenues:

	Year Ended December 31,		
	2013	2012	2011
	(As percentage of net revenues)		
Net sales	99.6%	98.7%	98.9%
Other revenues	0.4	1.3	1.1
Net revenues	**100.0**	**100.0**	**100.0**
Cost of sales	(67.7)	(67.2)	(63.3)
Gross profit	**32.3**	**32.8**	**36.7**
Selling, general and administrative	(13.2)	(13.8)	(12.4)
Research and development	(22.5)	(28.4)	(24.1)
Other income and expenses, net	1.2	1.1	1.1
Impairment, restructuring charges and other related closure costs	(3.6)	(16.2)	(0.8)
Operating income (loss)	**(5.8)**	**(24.5)**	**0.5**
Other-than-temporary impairment charge and realized gain on financial assets	—	—	3.3
Interest expense, net	0.0	(0.4)	(0.3)
Loss on equity-method investments	(1.5)	(0.3)	(0.3)
Gain on financial instruments, net	—	0.0	0.3
Income (loss) before income taxes and noncontrolling interest	**(7.3)**	**(25.2)**	**3.5**
Income tax expense	(0.5)	(0.6)	(1.9)
Net income (loss)	**(7.8)**	**(25.8)**	**1.6**
Net loss (income) attributable to noncontrolling interest	1.6	12.2	5.1
Net income (loss) attributable to parent company	**(6.2)%**	**(13.6)%**	**6.7%**

2013 vs. 2012

Net revenues

	Year Ended December 31,		% Variation
	2013	2012	Year-Over-Year
	(In millions)		
Net sales	$8,050	$8,380	(3.9)%
Other revenues	32	113	(71.5)
Net revenues	**$8,082**	**$8,493**	**(4.8)%**

Our 2013 net revenues decreased compared to the year-ago period, mainly due to our decision to exit from ST-Ericsson, less favorable market conditions and a lower level of licenses. Net revenues decreased by 4.8% with a decrease of approximately 9% in average selling prices of which approximately 6% was due to a pure price effect and 3% was due to a less favorable product mix, partially offset by an increase of approximately 4% in volume. In 2013, net revenues excluding the Wireless product line increased by 3.2%.

SP&A registered an increase of approximately 3%, while EPS revenues were down by approximately 15%. Within SP&A, all product lines except AMS increased their revenues with APG up by approximately 7% and IPD up by approximately 3%. Within EPS, Wireless product line sales registered a decline of approximately 48%, following the wind-down of the ST-Ericsson joint venture while DCG decreased by approximately 17%. IBP and MMS increased by about 6% and 19%, respectively, compared to the prior year.

By market channel, our revenues registered an increase in Distribution, which was up by approximately 3 percentage points, reaching a 26% share of total revenues. By location of shipment, all regions were negatively impacted mainly by the exit of ST-Ericsson. In 2013 and 2012, no customer exceeded 10% of our total net revenues.

Gross profit

	Year Ended December 31,		% Variation
	2013	2012	Year-Over-Year
	(In millions)		
Cost of sales	$(5,468)	$(5,710)	4.2%
Gross profit	2,614	2,783	(6.1)
Gross margin (as percentage of net revenues)	32.3%	32.8%	—

In 2013, gross margin was 32.3%, decreasing by 50 basis points compared to the prior year, mainly due to the negative impact of selling prices, lower technology licensing revenues and a less favorable product mix, partially offset by improved manufacturing efficiencies, lower unused capacity charges and the absence of the $53 million one-time charge related to the 2012 arbitration award to NXP.

Selling, general and administrative expenses

	Year Ended December 31,		% Variation
	2013	2012	Year-Over-Year
	(In millions)		
Selling, general and administrative expenses	$(1,066)	$(1,166)	8.6%
As percentage of net revenues	(13.2)%	(13.8)%	—

The amount of our SG&A expenses decreased in 2013, mainly associated with the exit of ST-Ericsson and our cost savings initiatives. Our share-based compensation charges were $13 million in 2013, compared to $6 million in 2012.

As a percentage of revenues, our SG&A expenses amounted to 13.2% in 2013, decreasing compared to 13.8% in 2012.

Research and development expenses

	Year Ended December 31,		% Variation
	2013	2012	Year-Over-Year
	(In millions)		
Research and development expenses	$(1,816)	$(2,413)	24.7%
As percentage of net revenues	(22.5)%	(28.4)%	—

Our 2013 R&D expenses decreased compared to 2012, mainly due to the exit of ST-Ericsson and our cost savings initiatives. Our 2013 R&D expenses included $8 million of share-based compensation charges, compared to $3 million in 2012. Total R&D expenses were net of research tax credits, which amounted to $146 million in 2013; the amount was $152 million in 2012.

As a percentage of revenues, 2013 R&D equaled 22.5%, decreasing compared to 28.4% in the prior year.

Other income and expenses, net

	Year Ended December 31,	
	2013	2012
	(In millions)	
Research and development funding	$ 57	$102
Phase-out and start-up costs	(4)	—
Exchange gain, net	8	5
Patent costs	(40)	(20)
Gain on sale of businesses and non-current assets	83	9
Other, net	(9)	(5)
Other income and expenses, net	**$ 95**	**$ 91**
As percentage of net revenues	1.2%	1.1%

Income from R&D funding was associated with our R&D projects, which, upon project approval, qualifies as funding on the basis of contracts with local government agencies. In 2013, we recognized an income, net, of $95 million, increasing compared to an income, net, of $91 million in 2012, mainly due to the sale of businesses and non-current assets associated with the Global Navigation Satellite System business in ST-Ericsson and with the sale of Portland Compiler Group in ST, partially offset by a lower amount of R&D funding. No grants from the Nano-2017 R&D program were recognized in 2013.

Impairment, restructuring charges and other related closure costs

	Year Ended December 31,	
	2013	2012
	(In millions)	
Impairment, restructuring charges and other related closure costs	$(292)	$(1,376)

In 2013, we recorded $292 million of impairment, restructuring charges and other related closure costs, of which:

- $88 million in restructuring charges related to our headcount reduction initiative targeting quarterly net operating expenses in the range of $600 to $650 million by the beginning of 2014;
- $86 million in impairment and restructuring charges related to the ST-Ericsson exit;
- $56 million in impairment charges on the DCG goodwill and dedicated intangible assets following our yearly impairment test;
- $37 million in impairment and restructuring charges related to the manufacturing consolidation plans;
- $9 million in restructuring charges related to the ST-Ericsson restructuring plans before deconsolidation;
- $5 million impairment charge on Veredus as a result of the reclassification of its assets as Assets held for sale as of December 31, 2013. On January 13, 2014, we sold a 50% stake in Veredus shares to a third party investor; and
- $11 million related to other restructuring initiatives.

In 2012, we recorded $1,376 million of impairment, restructuring charges and other related closure costs, of which: $1,234 million as a non-cash impairment on our Wireless goodwill and other intangible assets; $66 million related to the ST-Ericsson restructuring plan announced in April 2012; $23 million related to the manufacturing restructuring plan as part of the closure of our Carrollton (Texas) and Phoenix (Arizona) sites; $21 million related to the ST-Ericsson restructuring plans previously announced in 2011 and 2009; $20 million recorded in relation to our Digital restructuring plan announced in October 2012; $8 million related to other restructuring initiatives and a $4 million impairment charge on certain intangibles.

Operating loss

	Year Ended December 31,	
	2013	2012
	(In millions)	
Operating loss	$(465)	$(2,081)
As percentage of net revenues	(5.8)%	(24.5)%

Our operating results improved compared to the prior year, positively impacted by lower impairment charges and savings in operating expenses, mainly in R&D, and negatively impacted by a lower level of gross profit primarily due to the reduced level of net revenues.

SP&A registered operating income of $270 million or approximately 6% of revenues, down from $409 million or about 9% of revenues, mainly as a consequence of increased operating expenses also following the reassignment to the segment of some resources from ST-Ericsson aimed to accelerate and improve product innovation for the segment. EPS registered an improvement in its operating loss from $883 million or approximately 23% of revenues to an operating loss of $399 million or about 12% of revenues, mainly due to the reduced level of operating expenses as a consequence of the exit from ST-Ericsson and the gain from the sale of businesses only partially offset by reduced gross profit due to the lower revenues level. The segment “Others” decreased its losses to $336 million in 2013, from $1,607 million in 2012, mainly due to lower impairment and restructuring charges.

Interest expense, net

	Year Ended December 31,	
	2013	2012
	(In millions)	
Interest expense, net	$ (5)	$ (35)

We recorded a net interest expense of $5 million in 2013, improving compared to $35 million in 2012, due to the lower cost of financing of the ST-Ericsson debt and a one-time interest payment received with respect to a U.S. tax refund in the second quarter of 2013.

Loss on equity-method investments

	Year Ended December 31,	
	2013	2012
	(In millions)	
Loss on equity-method investments	$(122)	$(24)

In 2013, we recorded a charge of $122 million, of which $104 million related to our share in 3Sun, which consisted of a $35 million operating loss and $69 million as non-cash item following their asset impairment, $7 million loss related to ST-Ericsson JVS which has been accounted for under the equity-method since September 1, 2013, $6 million loss in relation with MicroOLED SAS and $5 million loss for ST-Ericsson JVD. The 2012 amount represented a charge of $24 million, out of which $16 million related to 3Sun and $7 million to our proportionate share in the loss of ST-Ericsson JVD primarily reflecting our share of the impairment charge recorded by ST-Ericsson JVD as a result of their impairment test. The remaining $1 million loss related to other investments.

Gain on financial instruments, net

	Year Ended December 31,	
	2013	2012
	(In millions)	
Gain on financial instruments, net	$—	$ 3

The $3 million gain on financial assets in 2012 was mainly associated with the gain of $2 million related to the repurchase of our 2016 Convertible Bonds and $1 million related to the sale of some marketable securities.

Income tax expense

	Year Ended December 31,	
	2013	2012
	(In millions)	
Income tax expense	$ (37)	$ (51)

During 2013, we registered an income tax expense of $37 million, reflecting the actual tax charge calculated on our income before income taxes in each of our jurisdictions. This expense included the recognition of deferred tax assets, net of valuation allowances, associated with our estimates of the net operating loss recoverability in certain jurisdictions and our best estimate on additional tax charges related to potential uncertain tax positions and claims.

Net loss (income) attributable to noncontrolling interest

	Year Ended December 31,	
	2013	2012
	(In millions)	
Net loss (income) attributable to noncontrolling interest	$ 129	$ 1,030
As percentage of net revenues	1.6%	12.2%

In 2013, we recorded $129 million loss attributable to noncontrolling interest, mainly relating to Ericsson's interest in the ST-Ericsson joint venture prior to the deconsolidation as of September 1, 2013. In 2012, we recorded a $1,030 million loss attributable to noncontrolling interest, which mainly included Ericsson's ownership in ST-Ericsson JVS. All periods also included the recognition of noncontrolling interest related to our joint venture in Shenzhen, China for assembly operating activities and Incard do Brazil for distribution. Those amounts were not material.

Net loss attributable to parent company

	Year Ended December 31,	
	2013	2012
	(In millions)	
Net loss attributable to parent company	$ (500)	$ (1,158)
As percentage of net revenues	(6.2)%	(13.6)%

In 2013, we reported a net loss of $500 million, significantly improving compared to 2012 due to the aforementioned factors. In 2012, we reported a net loss of $1,158 million.

The 2013 net loss attributable to the parent company was $(0.56) per share compared to $(1.31) per share in 2012.

In 2013, the impact after tax of impairment, restructuring charges and other related closure costs and other one-time items, a non U.S. GAAP measure, was estimated to be approximately $(0.33) per share, while it was estimated to be approximately $(0.98) per share in 2012.

2012 vs. 2011

Net revenues

	Year Ended December 31,		% Variation Year-Over-Year
	2012	2011	
	(In millions)		
Net sales	$8,380	$9,630	(13.0)%
Other revenues	113	105	7.3
Net revenues	**$8,493**	**$9,735**	**(12.8)%**

Our 2012 net revenues decreased compared to the year-ago period, which benefited from more favorable market conditions. Net revenues decreased by 12.8% driven by a decrease of approximately 7% in volume and a decline in average selling prices by approximately 6%.

Net revenues decreased by approximately 10% for SP&A and 16% for EPS. Within EPS, Wireless product line revenues registered a decline of approximately 13%.

By market channel, the relative breakdown between OEM and Distribution remained similar from one period to the next.

By location of shipment, all regions were negatively impacted in terms of revenues by the difficult market conditions. In 2012, no customer exceeded 10% of our total net revenues while the Nokia group of companies accounted for slightly more than 10% of our total net revenues in 2011.

Gross profit

	Year Ended December 31,		% Variation Year-Over-Year
	2012	2011	
	(In millions)		
Cost of sales	$(5,710)	$(6,161)	7.3%
Gross profit	2,783	3,574	(22.1)
Gross margin (as percentage of net revenues)	32.8%	36.7%	—

In 2012, gross margin was 32.8%, decreasing by 390 basis points compared to the prior year, principally due to the negative impact of declining selling prices, lower sales volume, higher unused capacity charges and $53 million NXP arbitration award charge, partially offset by a favorable currency effect and a more favorable product mix.

Selling, general and administrative expenses

	Year Ended December 31, 2012	Year Ended December 31, 2011	% Variation Year-Over-Year
	(In millions)		
Selling, general and administrative expenses	$(1,166)	$(1,210)	3.6%
As percentage of net revenues	(13.8)%	(12.4)%	—

Our SG&A expenses decreased in 2012 mainly due to the favorable impact of the U.S. dollar exchange rate and cost saving initiatives. Our share-based compensation charges were $6 million in 2012, compared to $16 million in 2011.

As a percentage of revenues, our SG&A expenses amounted to 13.8%, slightly increasing in comparison to 12.4% in 2011 due to lower volumes of sales.

Research and development expenses

	Year Ended December 31, 2012	Year Ended December 31, 2011	% Variation Year-Over-Year
	(In millions)		
Research and development expenses	$(2,413)	$(2,352)	(2.6)%
As percentage of net revenues	(28.4)%	(24.1)%	—

Our R&D expenses increased compared to 2011, mainly because 2011 benefited from a $100 million billing of R&D services. On the other side, the 2012 R&D expenses benefited from ongoing cost saving measures and restructuring initiatives mainly in ST-Ericsson and a more favorable exchange rate. Our 2012 R&D expenses included $3 million of share-based compensation charges, compared to $8 million in 2011. Total R&D expenses were net of research tax credits, which amounted to $152 million in 2012; the amount was $159 million in 2011.

As a percentage of revenues, 2012 R&D equaled 28.4%, increasing compared to 24.1% in the prior year.

Other income and expenses, net

	Year Ended December 31, 2012	Year Ended December 31, 2011
	(In millions)	
Research and development funding	$102	$128
Phase-out and start-up costs	—	(8)
Exchange gain, net	5	8
Patent costs	(20)	(28)
Gain on sale of non-current assets	9	15
Other, net	(5)	(6)
Other income and expenses, net	**$ 91**	**$109**
As percentage of net revenues	1.1%	1.1%

In 2012, we recognized an income, net, of $91 million, decreasing compared to 2011 mainly due to the lower level of funding.

Impairment, restructuring charges and other related closure costs

	Year Ended December 31, 2012	Year Ended December 31, 2011
	(In millions)	
Impairment, restructuring charges and other related closure costs	$(1,376)	$(75)

In 2012, we recorded $1,376 million of impairment, restructuring charges and other related closure costs, of which: $1,234 million as a non-cash impairment on our Wireless goodwill and other intangible assets; $66 million related to the ST-Ericsson restructuring plan announced in April 2012, primarily consisting of employee termination benefits, as well as $2 million impairment charges on long-lived assets with no future use; $23 million related to the manufacturing restructuring plan as part of the closure of our Carrollton (Texas) and Phoenix (Arizona) sites of which $21 million was recorded as an impairment on the Carrollton building and facilities; $21 million related to the ST-Ericsson restructuring plans previously announced in 2011 and 2009; $20 million was recorded in relation to our Digital restructuring plan announced in October 2012 and was composed of employee termination benefits, as well as $7 million impairment charges on intangible assets with no future use; $8 million related to other restructuring initiatives; and a $4 million impairment charge on certain intangibles.

In 2011, we recorded $75 million of impairment, restructuring charges and other related closure costs, of which: $37 million was recorded in relation to the manufacturing restructuring plan as part of the closure of our Carrollton and Phoenix sites, and was composed of one-time termination benefits, as well as other related closure charges, mainly associated with the Phoenix fab, where production was terminated in the first quarter of 2011; $26 million related to the cost savings plan announced in June 2011 by ST-Ericsson, primarily consisting of employee termination benefits; $7 million related to the workforce reduction plans announced in April and December 2009 by ST-Ericsson, pursuant to the closure of certain locations; and $5 million related to other restructuring initiatives.

Operating income (loss)

	Year Ended December 31,	
	2012	2011
	(In millions)	
Operating income (loss)	$(2,081)	$ 46
As percentage of net revenues	(24.5)%	0.5%

Our operating results deteriorated compared to the prior year mainly due to the non-cash impairment charge on Wireless goodwill and other intangible assets, the impact of lower revenues, higher restructuring charges, the NXP arbitration award charge and higher unused capacity charges. Furthermore, 2011 benefited from a $100 million billing of R&D services. This resulted in an operating loss of $2,081 million in 2012 compared to an operating income of $46 million in 2011.

Our segments reported a decline in their profitability levels compared to the year-ago period, mainly due to lower levels of revenues. SP&A operating income was $409 million or approximately 9% of revenues in 2012, down from $757 million, or about 15% of 2011 revenues. In 2012, EPS registered an operating loss of $883 million or about negative 23% of revenues, down from a $489 million operating loss or approximately negative 11% of 2011 revenues. Wireless product line operating loss increased from $812 million in 2011 to $885 million in 2012, of which the largest part was generated from ST-Ericsson JVS; 50% of this loss was attributed to Ericsson as noncontrolling interest below operating income (loss). The segment “Others” increased its losses to $1,607 million from $222 million in 2011, mainly due to higher impairment and restructuring charges (which accounted for $1,376 million in 2012 compared to $75 million in 2011), the higher amount of unused capacity charges (which accounted for $172 million in 2012 compared to $149 million in 2011) and the NXP arbitration award charge of $54 million in 2012.

Other-than-temporary impairment charge and realized gains on financial assets

	Year Ended December 31,	
	2012	2011
	(In millions)	
Other-than-temporary impairment charge and realized gains on financial assets	$—	$318

In 2011, the income of $318 million represented a balance of (i) a realized gain on financial assets of $323 million as a result of the cash settlement from Credit Suisse against the transfer of ownership of the whole portfolio of Auction Rate Securities, and (ii) an other-than-temporary impairment charge of $5 million as an adjustment of the fair value of certain marketable securities.

Interest expense, net

	Year Ended December 31, 2012	2011
	(In millions)	
Interest expense, net	$(35)	$(25)

In 2012, we registered an expense increase compared with the year-ago period, mainly due to ST-Ericsson increased utilization of the parent's loan facility. As in 2011, ST-Ericsson had a one-off sale of certain R&D tax credits anticipating their collection by three years and also interest expenses related to the sale without recourse of its trade receivables.

Loss on equity-method investments

	Year Ended December 31, 2012	2011
	(In millions)	
Loss on equity-method investments	$(24)	$(28)

In 2012, we recorded a charge of $24 million, out of which $16 million related to 3Sun and $7 million to our proportionate share in the loss of ST-Ericsson JVD primarily reflecting our share of the impairment charge recorded by ST-Ericsson JVD as a result of their impairment test. The remaining $1 million loss related to other investments. The 2011 amount represented a charge of $28 million, out of which $23 million related to our proportionate share in ST-Ericsson JVD's net results, including amortization of basis difference. The remaining $5 million loss related to other investments.

Gain on financial instruments, net

	Year Ended December 31, 2012	2011
	(In millions)	
Gain on financial instruments, net	$ 3	$ 25

The $3 million gain on financial assets in 2012 was mainly associated with the gain of $2 million related to the repurchase of our 2016 Convertible Bonds and $1 million related to the sale of some marketable securities. The $25 million gain on financial assets in 2011 was mainly associated with (i) the gain of $20 million related to the sale of the remaining Micron shares and the unwinding of the related hedging of our equity participation in Micron received upon the Numonyx disposal, and (ii) a gain of $4 million recorded following unsolicited repurchases of a portion of our 2016 Convertible Bonds with an accreted value of $318 million, inclusive of the swap, for a cash consideration of $314 million.

Income tax expense

	Year Ended December 31, 2012	2011
	(In millions)	
Income tax expense	$(51)	$(181)

During 2012, we registered an income tax expense of $51 million, reflecting the actual tax charge calculated on our income before income taxes in each of our jurisdictions. This expense included the recognition of deferred tax assets, net of valuation allowances, associated with our estimates of the net operating loss recoverability in certain jurisdictions and our best estimate on additional tax charges related to potential uncertain tax positions and claims. The 2012 income tax expense was also impacted by the additional valuation allowances recorded on certain deferred tax assets related to ST-Ericsson, which are no longer supported by tax planning strategies, partially due to our decision to exit the joint venture.

Net loss (income) attributable to noncontrolling interest

	Year Ended December 31, 2012	2011
	(In millions)	
Net loss (income) attributable to noncontrolling interest	$1,030	$495
As percentage of net revenues	12.2%	5.1%

In 2012, we recorded $1,030 million loss attributable to noncontrolling interest, which mainly included Ericsson's ownership in ST-Ericsson JVS. In 2011, we recorded $495 million loss attributable to noncontrolling interest, which mainly included $413 million of the ST-Ericsson JVS losses and $92 million charge for a valuation allowance related to part of ST-Ericsson's accumulated net operating losses.

All periods also included the recognition of noncontrolling interest related to our joint venture in Shenzhen, China for assembly operating activities and Incard do Brazil for distribution.

Net income (loss) attributable to parent company

	Year Ended December 31, 2012	2011
	(In millions)	
Net income (loss) attributable to parent company	$(1,158)	$650
As percentage of net revenues	(13.6)%	6.7%

In 2012, we reported a net loss of $1,158 million, a significant decline compared to 2011 due to the aforementioned factors. In 2011, we reported a net income of $650 million.

The 2012 net loss attributable to the parent company was $(1.31) per share compared to diluted earnings of $0.72 per share in 2011.

In 2012, the impact after tax of impairment, restructuring charges and other related closure costs and other one-time items, net of tax, was estimated to be approximately $(0.98) per share.

Quarterly Results of Operations

Certain quarterly financial information for the years 2013 and 2012 are set forth below. Such information is derived from our unaudited Consolidated Financial Statements, prepared on a basis consistent with the Consolidated Financial Statements that include, in our opinion, all normal adjustments necessary for a fair statement of the interim information set forth therein. Operating results for any quarter are not necessarily indicative of results for any future period. In addition, in view of the significant volatility we have experienced in recent years, the increasingly competitive nature of the markets in which we operate, the changes in products mix and the currency effects of changes in the composition of sales and production among different geographic regions, we believe that period-to-period comparisons of our operating results should not be relied upon as an indication of future performance.

Our quarterly and annual operating results are also affected by a wide variety of other factors that could materially and adversely affect revenues and profitability or lead to significant variability of operating results, including, among others, capital requirements and the availability of funding, competition, new product development, changes in technology, manufacturing problems, litigation and possible IP claims. In addition, a number of other factors could lead to fluctuations in operating results, including order cancellations or reduced bookings by key customers or distributors, IP developments, international events, currency fluctuations, problems in obtaining adequate raw materials on a timely basis, impairment, restructuring charges and other related closure costs, as well as the loss of key personnel. As only a portion of our expenses varies with our revenues, there can be no assurance that we will be able to reduce costs promptly or adequately in relation to revenue declines to compensate for the effect of any such factors. As a result, unfavorable changes in the above or other factors have in the past and may in the future adversely affect our operating results. Quarterly results have also been and may be expected to continue to be substantially affected by the cyclical nature of the semiconductor and electronic systems industries, the speed of some process and manufacturing technology developments, market demand for existing products, the timing and success of new product introductions and the levels of provisions and other unusual charges incurred. Certain additions of our quarterly results will not total our annual results due to rounding.

In the fourth quarter of 2013, based upon published industry data by WSTS, the TAM and the SAM increased year-over-year by approximately 8% and 3%, reaching approximately $80 billion and $36 billion, while sequentially, the TAM and the SAM both decreased by about 1% and 2%, respectively. In the fourth quarter of 2013, our average effective exchange rate was approximately $1.34 to €1.00, compared to $1.31 to €1.00 in the third quarter of 2013 and $1.30 to €1.00 in the year-ago quarter. Our effective exchange rate reflects actual exchange rate levels combined with the impact of cash flow hedging programs.

Net revenues

	Three Months Ended			% Variation	
	December 31, 2013	September 28, 2013	December 31, 2012	Sequential	Year-Over-Year
	(Unaudited, in millions)				
Net sales	$ 2,008	$ 2,005	$ 2,111	0.2%	(4.9)%
Other revenues	7	8	51	(14.3)	(87.0)
Net revenues	**$ 2,015**	**$ 2,013**	**$ 2,162**	**0.1%**	**(6.8)%**

Year-over-year comparison

Our fourth quarter of 2013 net revenues were $2,015 million, decreasing by 6.8% compared to the year-ago period. Excluding the phasing out of the Wireless product line, revenues increased by 3.9% as a result of higher volume by about 6%, partially offset by a decline in average selling prices by approximately 2%.

By product segment, SP&A registered an increase of approximately 4%, while EPS revenues were down by approximately 19%. Within SP&A, all product lines except AMS, which decreased by approximately 15%, increased their revenues with APG up by approximately 22% and IPD up by approximately 7%. Within EPS, Wireless product line sales registered a decline of approximately 62%, following the wind-down of the ST-Ericsson joint venture while DCG decreased by approximately 27%. IBP and MMS increased by about 27% and 22%, respectively, compared to the prior year quarter.

By market channel, our revenues registered an increase in Distribution, which was up by approximately 4 percentage points, reaching a 27% share of total revenues, compared to 23% in the fourth quarter of 2012.

By location of shipment, all regions decreased on a year-over-year basis; Japan-Korea, Greater China-South Asia and EMEA were mainly negatively impacted by the exit of ST-Ericsson while Americas were mainly impacted by a decrease in DCG revenues.

In the fourth quarter of 2013, no customer exceeded 10% of our total net revenues. In the fourth quarter of 2012, the Samsung group of companies accounted for approximately 11% of our net revenues.

Sequential comparison

On a sequential basis, our revenues were almost flat (+0.1%) with an approximate 3% increase in average selling prices due to a more favorable product mix, offset by an approximate 3% decrease in units sold.

By product segment, SP&A revenues increased by approximately 2% mainly driven by a more favorable product mix, while EPS registered a decrease of approximately 3% primarily due to a decrease in volume. Within the SP&A segment, APG and AMS increased their revenues by approximately 8% and 2% respectively while IPD revenues decreased by about 2%. Within EPS, all product lines registered a decrease in revenues by approximately 12% for IBP, about 3% for DCG and about 1% for both Wireless product line and MMS.

By market channel, the fourth quarter of 2013 showed a sequential increase for Distribution, which reached a 27% share of revenues from the 25% share registered in the third quarter of 2013.

By location of shipment, all regions declined sequentially except Greater China-South Asia, which increased by approximately 4% on a sequential basis

Both in the fourth and the third quarters of 2013, no customer exceeded 10% of our total net revenues.

Gross profit

	Three Months Ended			% Variation	
	December 31, 2013	September 28, 2013	December 31, 2012	Sequential	Year-Over-Year
		(Unaudited, in millions)			
Cost of sales	$ (1,353)	$ (1,361)	$ (1,465)	0.6%	7.6
Gross profit	662	652	697	1.5	(5.0)
Gross margin (as percentage of net revenues)	32.9%	32.4%	32.3%	—	—

Fourth quarter gross margin was 32.9%, increasing on a year-over-year basis by approximately 60 basis points, mainly due to improved manufacturing efficiencies and lower unused capacity charges, partially offset by declining selling prices and lower technology licensing revenues compared to the prior year quarter.

On a sequential basis, gross margin in the fourth quarter increased by 50 basis points, mainly due to improved manufacturing efficiencies, partially offset by a negative currency effect, the negative impact of selling prices and a higher amount of unused capacity charges.

Selling, general and administrative expenses

	Three Months Ended			% Variation	
	December 31, 2013	September 28, 2013	December 31, 2012	Sequential	Year- Over-Year
		(Unaudited, in millions)			
Selling, general and administrative expenses	$ (249)	$ (253)	$ (291)	1.5%	14.2%
As percentage of net revenues	(12.4)%	(12.6)%	(13.5)%	—	—

The amount of our SG&A expenses decreased on a year-over-year basis, mainly due to the wind-down of ST-Ericsson and our cost savings initiatives. As a percentage of revenues, our SG&A expenses amounted to 12.4%, decreasing in comparison to 13.5% in the prior year's fourth quarter and 12.6% in the prior quarter.

Research and development expenses

	Three Months Ended			% Variation	
	December 31, 2013	September 28, 2013	December 31, 2012	Sequential	Year-Over-Year
		(Unaudited, in millions)			
Research and development expenses	$ (407)	$ (423)	$ (585)	3.7%	30.4%
As percentage of net revenues	(20.2)%	(21.0)%	(27.1)%	—	—

R&D expenses both decreased year-over-year and sequentially mainly due to the ST-Ericsson wind-down and the benefits of our cost savings initiatives.

The fourth quarter of 2013 included $3 million of share-based compensation charges compared to $1 million in the fourth quarter of 2012 and $2 million in the third quarter of 2013. Fourth quarter 2013 R&D expenses were net of research tax credits, which amounted to $43 million, compared to $42 million in the fourth quarter of 2012 and $34 million in the third quarter of 2013.

As a percentage of revenues, fourth quarter 2013 R&D equaled 20.2%, a decrease of approximately 690 basis points compared to the year-ago period driven by the reduction in our operating expenses and notwithstanding the level of reduced revenues. On a sequential basis, expenses to revenues percentage decreased by 80 basis points due to decreasing operating expenses.

Other income and expenses, net

	Three Months Ended		
	December 31, 2013	September 28, 2013	December 31, 2012
	(Unaudited, in millions)		
Research and development funding	$ 28	$ 9	$ 41
Phase-out costs and start-up costs	(3)	(1)	—
Exchange gain, net	2	2	1
Patent costs	(13)	(12)	(5)
Gain on sale of businesses and non-current assets	1	81	2
Other, net	(3)	(1)	(2)
Other income and expenses, net	**$ 12**	**$ 78**	**$ 37**
As percentage of net revenues	0.6%	3.8%	1.7%

In the fourth quarter of 2013, we recognized an income, net, of $12 million, mainly due to R&D funding of approximately $28 million.

Impairment, restructuring charges and other related closure costs

	Three Months Ended		
	December 31, 2013	September 28, 2013	December 31, 2012
	(Unaudited, in millions)		
Impairment, restructuring charges and other related closure costs	$ (29)	$ (120)	$ (588)

In the fourth quarter of 2013, we recorded $29 million of impairment, restructuring charges and other related closure costs, of which: $20 million restructuring charges related to our headcount reduction initiative targeting quarterly net operating expenses in the range of $600 to $650 million by the beginning of 2014, $5 million impairment charge on Veredus as a result of the reclassification of its assets as Assets held for sale as of December 31, 2013, $2 million restructuring charges related to the manufacturing consolidation plans and $2 million related to other restructuring initiatives.

In the third quarter of 2013, we recorded $120 million of impairment, restructuring charges and other related closure costs, primarily consisting of: $56 million recorded as impairment charges on the DCG goodwill and dedicated intangible assets following our yearly impairment test, $35 million recorded as impairment and restructuring charges related to the manufacturing consolidation plans and $22 million recorded as restructuring charges related to our headcount reduction initiative targeting quarterly net operating expenses in the range of $600 to $650 million by the beginning of 2014.

In the fourth quarter of 2012, we recorded $588 million of impairment, restructuring charges and other related closure costs, of which: $544 million was recorded as a non-cash impairment on our Wireless goodwill and other intangible assets, $20 million was recorded in relation to our Digital restructuring plan announced in October 2012 and was composed of employee termination benefits, as well as $7 million impairment charges on intangible assets with no future use, $16 million was related to the ST-Ericsson restructuring plan announced in April 2012, primarily consisting of employee termination benefits and $8 million was related to other restructuring initiatives.

Operating loss

	Three Months Ended		
	December 31, 2013	September 28, 2013	December 31, 2012
	(Unaudited, in millions)		
Operating loss	$ (11)	$ (66)	$ (730)
As percentage of net revenues	(0.6)%	(3.3)%	(33.8)%

The fourth quarter of 2013 registered an operating loss of $11 million compared to an operating loss of $66 million in the prior quarter and an operating loss of $730 million in the year-ago quarter. The fourth quarter of 2013 registered an improvement in our operating results, both year-over-year and sequentially, driven by lower operating expenses and lower impairment and restructuring charges.

By product segment, SP&A reported an increase in its operating income compared to the prior quarter. Our EPS segment increased sequentially its operating losses, mainly due to the one-time positive impact recorded in the third quarter 2013 for the sale of businesses. The segment "Others" decreased its losses to $41 million, from $123 million in the prior quarter, mainly due to lower impairment and restructuring charges. On a year-over-year basis, our SP&A segment operating income decreased from $106 million in the year-ago quarter to $96 million while EPS improved its results from a loss of $182 million to a loss of $66 million. The segment "Others" significantly decreased its losses due to lower impairment and restructuring charges.

Interest expense, net

	Three Months Ended		
	December 31, 2013	September 28, 2013	December 31, 2012
	(Unaudited, in millions)		
Interest expense, net	$ (3)	$ (2)	$ (9)

We recorded net interest expense of $3 million in the fourth quarter of 2013, improving on a year-over-year basis, due to the lower cost of financing related to ST-Ericsson debt.

Income (loss) on equity-method investments

	Three Months Ended		
	December 31, 2013	September 28, 2013	December 31, 2012
	(Unaudited, in millions)		
Income (loss) on equity-method investments	$ (12)	$ (8)	$ (11)

In the fourth quarter of 2013, we recorded a charge of $12 million, of which $7 million related to our share of the losses in ST-Ericsson JVS, which has been accounted for under the equity method since September 1, 2013 and $5 million related to our share in 3Sun.

Income tax expense

	Three Months Ended		
	December 31, 2013	September 28, 2013	December 31, 2012
	(Unaudited, in millions)		
Income tax expense	$ (8)	$ (49)	$ (39)

During the fourth quarter of 2013, we registered an income tax expense of $8 million, reflecting actual tax charges and benefits in each jurisdiction as well as the true-up of tax provisions based upon the most updated visibility on open tax matters in several jurisdictions.

Our tax rate is variable and depends on changes in the level of operating results within various local jurisdictions and on changes in the applicable taxation rates of these jurisdictions, as well as changes in estimations of our tax provisions. Our income tax amounts and rates depend also on our loss carry-forwards and their relevant valuation allowances, which are based on estimated projected plans and available tax planning strategies; in the case of material changes in these plans, the valuation allowances could be adjusted accordingly with an impact on our tax charges. We currently enjoy certain tax benefits in some countries. Such benefits may not be available in the future due to changes in the local jurisdictions; our effective tax rate could be different in future periods and may increase in the coming years. In addition, our yearly income tax charges include the estimated impact of provisions related to potential tax positions which have been considered uncertain.

Net loss (income) attributable to noncontrolling interest

	Three Months Ended		
	December 31, 2013	September 28, 2013	December 31, 2012
	(Unaudited, in millions)		
Net loss (income) attributable to noncontrolling interest	$ (2)	$ (17)	$ 361

In the fourth quarter of 2013, we recorded $2 million representing the income attributable to noncontrolling interest mainly relating to our joint venture in Shenzhen, China for assembly operating activities. In the third quarter of 2013 and in the fourth quarter of 2012, the corresponding amounts were an income of $17 million and a loss of $361 million, respectively. These amounts mainly reflected Ericsson's share in the ST-Ericsson JVS joint venture's result, prior to the deconsolidation as of September 1, 2013.

Net loss attributable to parent company

	Three Months Ended		
	December 31, 2013	September 28, 2013	December 31, 2012
	(Unaudited, in millions)		
Net loss attributable to parent company	$ (36)	$ (142)	$ (428)
As percentage of net revenues	(1.8)%	(7.1)%	(19.8)%

For the fourth quarter of 2013, we reported a net loss of $36 million, improving sequentially and year-over-year.

Earnings per share for the fourth quarter of 2013 was $(0.04) compared to $(0.16) in the third quarter of 2013 and $(0.48) per share in the year-ago quarter.

In the fourth quarter of 2013, the impact per share after tax of impairment, restructuring charges and other related closure costs and other one-time items, a non U.S. GAAP measure, was estimated to be approximately $(0.03) per share, while in the third quarter of 2013, it was estimated to be approximately $(0.13) per share. In the year-ago quarter, the impact of impairment, restructuring charges and other related closure costs and other one-time items was estimated to be approximately $(0.37) per share.

Impact of Changes in Exchange Rates

Our results of operations and financial condition can be significantly affected by material changes in the exchange rates between the U.S. dollar and other currencies, particularly the Euro.

As a market rule, the reference currency for the semiconductor industry is the U.S. dollar and the market prices of semiconductor products are mainly denominated in U.S. dollars. However, revenues for some of our products (primarily our dedicated products sold in Europe) are quoted in currencies other than the U.S. dollar and as such are directly affected by fluctuations in the value of the U.S. dollar. As a result of currency variations, the appreciation of the Euro compared to the U.S. dollar could increase, in the short-term, our level of revenues when reported in U.S. dollars. Revenues for all other products, which are either quoted in U.S. dollars and billed in U.S. dollars or in local currencies for payment, tend not to be affected significantly by fluctuations in exchange rates, except to the extent that there is a lag between the changes in currency rates and the adjustments in the local currency equivalent of the price paid for such products. Furthermore, certain significant costs incurred by us, such as manufacturing costs, SG&A expenses, and R&D expenses, are largely incurred in the currency of the jurisdictions in which our operations are located. Given that most of our operations are located in the Euro zone and other non U.S. dollar currency areas, including Singapore, our costs tend to increase when translated into U.S. dollars when the dollar weakens or to decrease when the U.S. dollar strengthens.

In summary, as our reporting currency is the U.S. dollar, exchange rate fluctuations affect our results of operations: in particular, if the U.S. dollar weakens, our results are negatively impacted since we receive a limited part of our revenues, and more importantly, we incur a significant part of our costs, in currencies other than the U.S. dollar. On the other hand, our results are favorably impacted when the dollar strengthens. The impact on our accounts could therefore be material, in the case of a material variation of the U.S. dollar exchange rate.

Our principal strategy to reduce the risks associated with exchange rate fluctuations has been to balance as much as possible the proportion of sales to our customers denominated in U.S. dollars with the amount of materials, purchases and services from our suppliers denominated in U.S. dollars, thereby reducing the potential exchange rate impact of certain variable costs relative to revenues. Moreover, in order to further reduce the exposure to U.S. dollar exchange fluctuations, we have hedged certain line items on our Consolidated Statements of Income, in particular with respect to a portion of the costs of goods sold, most of the R&D expenses and certain SG&A expenses, located in the Euro zone, which we account for as cash flow hedging contracts. We use three different types of hedging contracts, consisting of forward contracts, collars and options.

Our Consolidated Statements of Income for 2013 included income and expense items translated at the average U.S. dollar exchange rate for the period, plus the impact of the hedging contracts expiring during the period. Our effective average exchange rate for 2013 and 2012 was $1.31 for €1.00. Our effective exchange rate was $1.34 for €1.00 for the fourth quarter of 2013 and $1.31 for €1.00 for the third quarter of 2013, while it was $1.30 for €1.00 for the fourth quarter of 2012. These effective exchange rates reflect the actual exchange rates combined with the impact of cash flow hedging contracts that matured in the period.

The time horizon of our cash flow hedging for manufacturing costs and operating expenses may run up to 24 months, for a limited percentage of our exposure to the Euro and under certain currency market circumstances. As of December 31, 2013, the outstanding hedged amounts were €660 million to cover manufacturing costs and €489 million to cover operating expenses, at an average exchange rate of about $1.3671 to €1.00 and $1.3626 to €1.00 (considering the options and collars at strike), maturing over the period from January 2, 2014 to December 4, 2014. As of December 31, 2013, these outstanding hedging contracts and certain expiring contracts covering manufacturing expenses capitalized in inventory resulted in a deferred profit of approximately $39 million before tax, recorded in “Accumulated other comprehensive income (loss)” in the Consolidated Statements of Equity, compared to a deferred profit of approximately $24 million before tax at December 31, 2012.

We also hedge certain manufacturing costs denominated in Singapore dollars (SGD); as of December 31, 2013, the outstanding hedged amounts were SGD 149 million at an average exchange rate of about SGD 1.2540 to $1.00 maturing over the period from January 9, 2014 to December 4, 2014. As of December 31, 2013, these outstanding hedging contracts and certain expiring contracts covering manufacturing expenses capitalized in inventory resulted in a deferred loss of approximately $1 million before tax, recorded in “Accumulated other comprehensive income (loss)” in the Consolidated Statements of Equity.

Our cash flow hedging policy is not intended to cover our full exposure and is based on hedging a portion of our exposure in the next four quarters and a declining percentage of our exposure in each quarter thereafter. In 2013, as a result of our cash flow hedging, we recorded a net profit of $33 million, consisting of a profit of about $14 million to R&D expenses, a profit of about $16 million to costs of goods sold and a profit of $3 million to SG&A expenses, while in 2012, we recorded a net loss of $71 million.

In addition to our cash flow hedging, in order to mitigate potential exchange rate risks on our commercial transactions, we purchase and enter into forward foreign currency exchange contracts and currency options to cover foreign currency exposure in payables or receivables at our affiliates, which we account for as fair value instruments. We may in the future purchase or sell similar types of instruments. See “Item 11. Quantitative and Qualitative Disclosures About Market Risk”. Furthermore, we may not predict in a timely fashion the amount of future transactions in the volatile industry environment. No assurance may be given that our hedging activities will sufficiently protect us against declines in the value of the U.S. dollar. Consequently, our results of operations have been and may continue to be impacted by fluctuations in exchange rates. The net effect of our consolidated foreign exchange exposure resulted in a net gain of $8 million recorded in “Other income and expenses, net” in our 2013 Consolidated Statement of Income compared to a net gain of $5 million recorded in 2012.

The assets and liabilities of subsidiaries are, for consolidation purposes, translated into U.S. dollars at the period-end exchange rate. Income and expenses, as well as cash flows, are translated at the average exchange rate for the period. The balance sheet impact, as well as the income statement and cash flow impact, of such translations have been, and may be expected to be, significant from period to period since a large part of our assets and liabilities and activities are accounted for in Euros as they are located in jurisdictions where the Euro is the functional currency. Adjustments resulting from the translation are recorded directly in equity, and are shown as “Accumulated other comprehensive income (loss)” in the Consolidated Statements of Equity. At December 31, 2013, our outstanding indebtedness was denominated mainly in U.S. dollars and in Euros.

For a more detailed discussion, see “Item 3. Key Information — Risk Factors — Risks Related to Our Operations”.

Impact of Changes in Interest Rates

Interest rates may fluctuate upon changes in financial market conditions and material changes can affect our results of operations and financial condition, since these changes can impact the total interest income received on our cash and cash equivalents and marketable securities, as well as the total interest expense paid on our financial debt.

Our interest income (expense), net, as reported in our Consolidated Statements of Income, is the balance between interest income received from our cash and cash equivalents and marketable securities investments and interest expense paid on our financial liabilities (including the sale without recourse of receivables) and bank fees (including fees on committed credit lines). Our interest income is dependent upon fluctuations in interest rates, mainly in U.S. dollars and Euros, since we invest primarily on a short-term basis; any increase or decrease in the market interest rates would mean an equivalent increase or decrease in our interest income. Our interest expenses are also dependent upon fluctuations in interest rates, since our financial liabilities mainly consist of European Investment Bank Floating Rate Loans at Libor and Euribor plus variable spreads. Our 2016 Convertible Bond was fully redeemed in the second quarter of 2012. On March 17, 2013, we repaid with available cash the residual Euro 350 million outstanding 2013 Senior Bonds with a principal amount at issuance of Euro 500 million.

At December 31, 2013, our total financial resources, including cash and cash equivalents and marketable securities, generated an average interest income rate of 0.28%. At the same date, the average interest rate on our outstanding debt was 0.90%.

Impact of Changes in Equity Prices

As of December 31, 2013, we did not hold any significant equity participations, which could be subject to a material impact in changes in equity prices. However, we hold equity participations whose carrying value could be reduced due to further losses or impairment charges of our equity-method investments. See Note 10 to our Consolidated Financial Statements.

Liquidity and Capital Resources

Treasury activities are regulated by our policies, which define procedures, objectives and controls. The policies focus on the management of our financial risk in terms of exposure to currency rates and interest rates. Most treasury activities are centralized, with any local treasury activities subject to oversight from our head treasury office. The majority of our cash and cash equivalents are held in U.S. dollars and Euros and are placed with financial institutions rated at least a single A long-term rating, meaning at least A3 from Moody's Investor Service ("Moody's") and A- from Standard & Poor's ("S&P") or Fitch Ratings ("Fitch"), or better. Marginal amounts are held in other currencies. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk".

Our total liquidity and capital resources were $1,894 million as of December 31, 2013, decreasing compared to $2,493 million at December 31, 2012. As of December 31, 2013, our total liquidity and capital resources were comprised of $1,836 million in cash and cash equivalents, $1 million in short-term deposits and $57 million in marketable securities, all considered as current assets.

As of December 31, 2013, marketable securities were $57 million invested in senior debt securities at floating rate issued by primary financial institutions with an average rating of Baa2/A-/A from Moody's, S&P and Fitch, respectively. The Floating Rate Notes are classified as available-for-sale and reported at fair value, with changes in fair value recognized as a separate component of "Accumulated other comprehensive income (loss)" in the Consolidated Statements of Equity, except if deemed to be other-than-temporary. Since the duration of the marketable securities portfolio was 0.05 year, the value of the securities as of December 31, 2013 corresponded to par value. As such, the cumulative change in the fair value of our marketable securities portfolio was not material as of December 31, 2013. The fair value of these securities is based on market prices publicly available through major financial information providers. The market price of the marketable securities is influenced by changes in the credit standing of the issuer but is not significantly impacted by movement in interest rates. In 2013, we reported proceeds of $184 million pursuant to sold or matured treasury bills and Floating Rate Notes.

In 2011, we received cash proceeds of $356.8 million from Credit Suisse as the full and final payment for the settlement of all outstanding litigation concerning Auction Rate Securities. Upon receipt of the funds, the ownership of the whole portfolio was transferred to Credit Suisse. We booked a pretax gain of approximately $329 million in 2011 as a result of the settlement, out of which $6 million was reported on the line "selling, general and administrative" and $323 million as a realized gain on financial assets. This $356.8 million plus the $75 million already cashed in made a total amount of $431.8 million that exceeded all losses and costs associated with the litigation.

Liquidity

We maintain a significant cash position and a low debt-to-equity ratio, which provide us with adequate financial flexibility. As in the past, our cash management policy is to finance our investment needs mainly with net cash generated from operating activities.

During 2013, our net cash decreased by $414 million, due to the net cash used in investing and financing activities exceeding the net cash from operating activities, primarily due to the repayment of the residual outstanding 2013 Senior Bonds in the amount of $455 million, net payments for tangible assets and the dividend payments.

The components of our cash flow for the last three years are set forth below:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Net cash from operating activities	$ 366	$ 612	$ 880
Net cash used in investing activities	(379)	(396)	(287)
Net cash from (used in) financing activities	(388)	135	(529)
Effect of changes in exchange rates	(13)	(13)	(44)
Net cash increase (decrease)	**$(414)**	**$ 338**	**$ 20**

Net cash from operating activities. The net cash from operating activities in 2013 was $366 million, decreasing compared to $612 million in the prior year period. Net cash from operating activities is the sum of (i) net income (loss) adjusted for non-cash items and (ii) changes in assets and liabilities. The decrease in net cash from operating activities in 2013 compared to 2012 resulted from the less favorable changes in assets and liabilities, which was partially balanced by the net loss adjusted for non-cash items:

- Net income (loss) adjusted for non-cash items increased to $333 million of cash generated in 2013 compared to $109 million in the prior year period, mainly due to the improved operating results;
- Changes in assets and liabilities generated cash for a total amount of $33 million in 2013, compared to $503 million of cash generated in the prior year period, mainly due to a negative change in trade payables ($139 million), trade receivables ($57 million) and inventories ($22 million). In 2012, changes were positive, mainly associated with a favorable variation in inventories ($191 million) and trade payables ($148 million). Furthermore, the negative trend in trade receivables also included an unfavorable net cash impact of $72 million, deriving from the sales, with no recourse, of trade and other receivables, compared to a favorable $26 million in 2012.

Net cash used in investing activities. Investing activities used $379 million of cash in 2013, mainly due to payments for the purchase of tangible assets and for intangible and financial assets, partially offset by the proceeds from the sale of marketable securities. Payments for purchase of tangible assets, net of proceeds, totaled $531 million, compared to $476 million in 2012.

Net cash from (*used in*) *financing activities*. Net cash used in financing activities was $388 million in 2013 compared to $135 million generated in 2012, mainly due to the $455 million repayment of the residual outstanding 2013 Senior Bonds. The financing activities in 2013 included $346 million in dividends paid to stockholders, compared to $355 million paid in 2012.

Free Cash Flow (*non U.S. GAAP measure*). We also present Free Cash Flow, which is a non U.S. GAAP measure, defined as (i) net cash from operating activities plus (ii) net cash used in investing activities, excluding payment for purchases (and proceeds from the sale) of marketable securities, short-term deposits and restricted cash, which are considered as temporary financial investments. The result of this definition is ultimately net cash from operating activities plus payment for purchase and proceeds from sale of tangible, intangible and financial assets, proceeds received in sale of businesses, payment for business acquisitions, net proceeds from sale of stock received on investment divestiture and payment for funding of joint ventures liquidation. We believe Free Cash Flow, a non U.S. GAAP measure, 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 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. Free Cash Flow reconciles with the total cash flow and the net cash increase (decrease) by including the payment for purchases (and proceeds from the sale) of marketable securities, short-term deposits, restricted cash and net cash from joint ventures deconsolidation, the net cash from (used in) financing activities and the effect of changes in exchange rates. In addition, our definition of Free Cash Flow may differ from definitions used by other companies. Free Cash Flow is determined as follows from our Consolidated Statements of Cash Flows:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Net cash from operating activities	$ 366	$ 612	$ 880
Net cash used in investing activities	(379)	(396)	(287)
Excluding:			
Payment for purchase and proceeds from sale of marketable securities, short-term deposits, restricted cash, net and net cash from joint ventures deconsolidation	(166)	(183)	(881)
Payment for purchase and proceeds from sale of tangible, intangible assets and businesses, payment for funding of joint ventures liquidation, payment for business acquisitions and net proceeds from sale of stock received on investment divestiture[(1)]	(545)	(579)	(1,168)
Free Cash Flow (non U.S. GAAP measure)	**$(179)**	**$ 33**	**$ (288)**

(1) Reflects the total of the following line items reconciled with our Consolidated Statements of Cash Flows relating to the investing activities: Payment for purchase of tangible assets, Proceeds from sale of tangible assets, Payment for purchase of intangible and financial assets, Proceeds from sale of intangible and financial assets, Proceeds received in sale of businesses, Payment for funding of joint ventures liquidation, Payment for business acquisitions, net of cash and cash equivalents acquired, Net proceeds from sale of stock received on investment divestiture.

Free Cash Flow was negative $179 million in 2013, deteriorating compared to positive $33 million in 2012, primarily due to lower cash generated from operating activities.

Capital Resources

Net Financial Position (*non U.S. GAAP measure*). Our Net Financial Position 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 bank overdrafts, short-term debt and long-term debt, as represented in our Consolidated Balance Sheets. Net Financial Position is not a U.S. GAAP measure but we believe it provides useful information for investors because it gives 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 and marketable securities and the total level of our financial indebtedness, which included the 50% of ST-Ericsson indebtedness up to September 1, 2013 when we deconsolidated ST-Ericsson. Consequently, we have in prior periods presented the Net Financial Position attributable to ST (“ST Net Financial Position”), which did not include the ST-Ericsson indebtedness towards Ericsson, our partner in ST-Ericsson JVS. Our Net Financial Position for each period has been determined as follows from our Consolidated Balance Sheets:

	Year Ended December 31,		
	2013	2012	2011
		(In millions)	
Cash and cash equivalents	$ 1,836	$ 2,250	$ 1,912
Marketable securities	57	238	413
Restricted cash	—	4	8
Short-term deposits	1	1	—
Total financial resources	**1,894**	**2,493**	**2,333**
Bank overdrafts and short-term debt	(225)	(630)	(740)
Long-term debt	(928)	(671)	(826)
Total financial debt	**(1,153)**	**(1,301)**	**(1,566)**
Net Financial Position	**741**	**1,192**	**767**
ST-Ericsson net debt to Ericsson	**—**	**—**	**400**
ST Net Financial Position	**$ 741**	**$ 1,192**	**$ 1,167**

Our Net Financial Position as of December 31, 2013 was a net cash position of $741 million, decreasing compared to the net cash position of $1,192 million at December 31, 2012, as a result of our negative Free Cash Flow and dividends payment.

At December 31, 2013, our financial debt was $1,153 million, composed of (i) $225 million of current portion of long-term debt and (ii) $928 million of long-term debt. The breakdown of our total financial debt included: (i) $1,132 million in European Investment Bank loans (the "EIB Loans"), (ii) $20 million in loans from other funding programs, and (iii) $1 million of capital leases. The EIB Loans are comprised of four long-term amortizing credit facilities as part of our R&D funding programs. The first for R&D in France was drawn in U.S. dollars from 2006 to 2008 for a total amount of $341 million, of which $97 million remained outstanding as at December 31, 2013. The second for R&D projects in Italy, was drawn in U.S. dollars in 2008 for a total amount of $380 million, of which $163 million remained outstanding as of December 31, 2013. The third, signed in 2010, is a €350 million multi-currency loan to support our industrial and R&D programs. It was drawn mainly in U.S. dollars for an amount of $321 million and only partially in Euros for an amount of €100 million, of which $401 million remained outstanding as of December 31, 2013. The fourth, signed in the first quarter of 2013, is a €350 million multicurrency loan which also supports our R&D programs. It was drawn in U.S. dollars for an amount of $471 million.

Additionally, we had unutilized committed medium-term credit facilities with core relationship banks of $730 million. At December 31, 2013, the amounts available under our short-term lines of credit were unutilized.

Our long-term debt contains standard conditions, but does not impose minimum financial ratios.

As of December 31, 2013, debt payments due by year were as follows:

	Payments Due by Period						
	Total	2014	2015	2016	2017	2018	Thereafter
	(In millions)						
Long-term debt (including current portion)	$1,153	$225	$205	$195	$119	$117	$ 292

In February 2006, we issued $1,131 million principal amount at maturity zero coupon senior convertible bonds due in February 2016. The bonds were convertible by the holder at any time prior to maturity at a conversion rate of 43.833898 shares per one thousand dollar face value of the bonds corresponding to 42,694,216 equivalent shares. In order to optimize our liability management and yield, we repurchased a portion of our 2016 Convertible Bonds during 2009 (98,000 bonds for a total cash consideration of $103 million and corresponding to 4,295,722 shares) and in 2010 (385,830 bonds for a total cash consideration of $410 million and corresponding to 16,912,433 shares). On February 23, 2011, certain holders redeemed 41,123 convertible bonds at a price of $1,077.58, out of the total of 490,170 outstanding bonds, or about 8%. In the third and fourth quarters of 2011, we repurchased 248,645 bonds for a total cash consideration of $270 million, corresponding to 10,899,080 shares. On February 23, 2012, certain holders redeemed 190,131 convertible bonds at a price of $1,093.81, out of the total of 200,402 outstanding bonds, representing approximately 95% of the then outstanding convertible bonds. In addition, on March 12, 2012, we accepted the further put of 4,980 bonds for a cash consideration of $5 million. On March 28, 2012, we published a notice of sweep up redemption for the remaining 5,291 bonds outstanding, which were redeemed on May 10, 2012. As of December 31, 2013, there were no bonds remaining outstanding.

In March 2006, STMicroelectronics Finance B.V. ("ST BV"), a wholly owned subsidiary, issued the 2013 Senior Bonds. These bonds, which matured on March 17, 2013, paid a quarterly coupon rate of the three-month Euribor plus 0.40%. On March 17, 2013, we repaid at maturity with available cash the residual outstanding 2013 Senior Bonds in the amount of $455 million.

On December 19, 2013, Moody's lowered our senior debt rating from "Baa2" to "Baa3" with stable outlook. On December 18, 2012, S&P lowered our senior debt rating from "BBB+" to "BBB" with negative outlook. We are also rated "BBB-" from Fitch on an unsolicited basis.

Contractual Obligations, Commercial Commitments and Contingencies

Our contractual obligations, commercial commitments and contingencies as of December 31, 2013, and for each of the five years to come and thereafter, were as follows:(1)

	Total	2014	2015	2016	2017	2018	Thereafter
Operating leases(2)	$ 242	$ 54	$ 37	$ 29	$ 26	$ 22	$ 74
Purchase obligations(2)	434	383	48	3	—	—	—
of which:							
Equipment and other asset purchases	163	163	—	—	—	—	—
Foundry purchases	92	92	—	—	—	—	—
Software, design, technologies and licenses	179	128	48	3	—	—	—
Other obligations(2)	481	155	120	100	80	24	2
Long-term debt obligations (including current portion)(3)(4)	1,153	225	205	195	119	117	292
of which:							
Capital leases(3)	1	1	—	—	—	—	—
Pension obligations(3)	369	12	21	20	34	31	251
Other long-term liabilities(3)	158	—	73	12	10	9	54
Total	**$2,837**	**$829**	**$504**	**$359**	**$269**	**$203**	**$ 673**

(1) Contingent liabilities which cannot be quantified are excluded from the table above.
(2) Items not reflected on the Consolidated Balance Sheet at December 31, 2013.
(3) Items reflected on the Consolidated Balance Sheet at December 31, 2013.
(4) See Note 13 to our Consolidated Financial Statements at December 31, 2013 for additional information related to long-term debt.

As a result of our planned closures of certain manufacturing facilities, some of the aforementioned contracts have been terminated. The termination fees for the sites still in operation have not been taken into account.

Operating leases are mainly related to building leases and to equipment. The amount disclosed is composed of minimum payments for future leases from 2014 to 2018 and thereafter. We lease land, buildings, plants and equipment under operating leases that expire at various dates under non-cancelable lease agreements.

Purchase obligations are primarily comprised of purchase commitments for equipment, for outsourced foundry wafers and for software licenses.

Other obligations primarily relate to firm contractual commitments with respect to partnership and cooperation agreements.

Long-term debt obligations mainly consist of bank loans. In 2014, we expect to redeem with available cash and cash equivalents a $225 million loan received from European Investment Bank as an annual installment. See "— Net financial position (non U.S. GAAP measure)" above.

Pension obligations amounting to $369 million consist of our best estimates of the amounts projected to be payable by us for the pension and post-employment plans. The final actual amount to be paid and related timing of such payments may vary significantly due to early retirements, terminations and changes in assumptions rates. See Note 14 to our Consolidated Financial Statements. As part of the Flash divestiture, we retained the obligation to fund the severance payment (*trattamento di fine rapporto*) due to certain transferred employees by the defined amount of about $17 million which qualifies as a defined benefit plan and was classified as an "other long-term liability" at December 31, 2013.

Other long-term liabilities include, future obligations related to our restructuring plans and miscellaneous contractual obligations. They also include at December 31, 2013, following the Flash divestiture in 2008, a long-term liability for capacity rights amounting to $4 million. In accordance with the authoritative guidance for accounting for uncertainty in income taxes, as of December 31, 2013, we had unrecognized tax benefits of $255 million. We do not expect to recognize any of these tax benefits in 2014. We are not, however, able to provide a reasonably reliable estimate of when these benefits will be recognized.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at December 31, 2013.

Financial Outlook: Capital Investment

Our policy is to modulate our capital spending according to the evolution of the semiconductor market. Based on current visibility on demand, we anticipate our capital expenditure to be approximately $510-550 million in 2014, to be adjusted based on demand thereafter. The most important of our 2014 capital expenditure projects are expected to be: (a) for our front-end facilities: (i) in our 300-mm fab in Crolles, technology evolution to consolidate the capability for 20-nm processes and mix evolution to support the production ramp up of new technologies for microcontrollers and automotive advanced products; (ii) a few selective programs of mix evolution, mainly in the area of analog processes; (iii) qualification of technologies in 200-mm in Singapore and Catania; and (iv) quality, safety, maintenance, and productivity and cost savings investments in both 150-mm and 200-mm front-end fabs; (b) for our back-end facilities, capital expenditures will mainly be dedicated to: (i) capacity growth on certain package families, to sustain market demand; (ii) modernization of package lines targeting cost savings benefits; and (iii) specific investments in the areas of factory automation, quality, environment and energy savings; and (c) an overall capacity adjustment in final testing and wafers probing (EWS) according to changes in demand.

We will continue to monitor our level of capital spending by taking into consideration factors such as trends in the semiconductor industry and capacity utilization. We expect to need significant financial resources in the coming years for capital expenditures and for our investments in manufacturing and R&D. We plan to fund our capital requirements from cash provided by operating activities, available funds and support from third parties, and may have recourse to borrowings under available credit lines and, to the extent necessary or attractive based on market conditions prevailing at the time, the issuance of debt, convertible bonds or additional equity securities. A substantial deterioration of our economic results, and consequently of our profitability, could generate a deterioration of the cash generated by our operating activities. Therefore, there can be no assurance that, in future periods, we will generate the same level of cash as in prior years to fund our capital expenditure plans for expanding/upgrading our production facilities, our working capital requirements, our R&D and manufacturing costs.

We have an equity investment in 3Sun. We are currently evaluating our strategy and multiple scenarios are being considered. We currently foresee that there may be a need to provide additional financial resources to 3Sun. In the event of a withdrawal by one of our partners, our financial support could cover up to 50% of the required funding.

Furthermore, as a result of the exit from the ST-Ericsson joint venture, our exposure is limited to covering 50% of ST-Ericsson needs to complete the wind-down, which are estimated in the range of $30 to $40 million for each partner.

We believe that we have the financial resources needed to meet our currently projected business requirements for the next twelve months, including capital expenditures for our manufacturing activities, working capital requirements, approved dividend payments and the repayment of our debts in line with their maturity dates.

Impact of Recently Issued U.S. Accounting Standards

See Note 2 to our Consolidated Financial Statements.

Equity-method investments

See Note 10 to our Consolidated Financial Statements.

Backlog and Customers

See “Item 4. Information on the Company — Backlog”.

Item 6. Directors, Senior Management and Employees

Directors and Senior Management

The management of our Company is entrusted to the Managing Board under the supervision of the Supervisory Board.

Supervisory Board

Our Supervisory Board advises our Managing Board and is responsible for supervising the policies pursued by our Managing Board and the general course of our affairs and business. Our Supervisory Board consists of such number of members as is resolved by our general meeting of Shareholders upon a non-binding proposal of our Supervisory Board, with a minimum of six members. Decisions by our general meeting of Shareholders concerning the number and the identity of our Supervisory Board members are taken by a simple majority of the votes cast at a meeting, provided quorum conditions are met (15% of our issued and outstanding share capital present or represented).

Our Supervisory Board was composed of the following nine members as of December 31, 2013:

Name	Position	Year Appointed	Term Expires	Age
Didier Lombard	Chairman	2004	2014	71
Bruno Steve	Vice Chairman	1989	2014	72
Jean d'Arthuys	Member	2011	2014	47
Janet G. Davidson	Member	2013(1)	2016	57
Jean-Georges Malcor	Member	2011	2014	57
Alessandro Ovi	Member	2007	2016	69
Alessandro Rivera	Member	2011	2014	43
Martine Verluyten	Member	2012	2015	62
Tom de Waard	Member	1998	2014	67

(1) Ms. Davidson was appointed as a member of our Supervisory Board on June 21, 2013.

Resolutions of our Supervisory Board require the approval of at least three quarters of its members in office. Our Supervisory Board must meet upon request by two or more of its members or by our Managing Board. Our Supervisory Board meets at least five times a year, including once per quarter to approve our quarterly and annual accounts and their release. Our Supervisory Board has adopted a Supervisory Board Charter setting forth its duties, responsibilities and operations, as mentioned below. This charter is available on our website (www.st.com).

Pursuant to Dutch law, there is no mandatory retirement age for members of our Supervisory Board. Members of the Supervisory Board may be suspended or dismissed by our annual shareholders' meeting. Our Supervisory Board may make a proposal to our annual shareholders' meeting for the suspension or dismissal of one or more of its members. Each member of our Supervisory Board must resign no later than three years after appointment, as described in our Articles of Association, but may be reappointed following the expiration of his/her term of office.

Biographies of our Current Supervisory Board Members

Didier Lombard has been a member of our Supervisory Board since 2004 and has been its Chairman since May 2011. Mr. Lombard serves on our Supervisory Board's Compensation Committee, Strategic Committee and Nominating and Corporate Governance Committee. He is the Chairman of both the Compensation Committee and the Strategic Committee. Mr. Lombard was appointed Chairman and Chief Executive Officer of Orange (formerly France Telecom) in March 2005, and served as Chief Executive Officer until February 2010 and Chairman until March 2011. Mr. Lombard began his career in the Research and Development division of Orange in 1967. From 1989 to 1990, he served as scientific and technological director at the Ministry of Research and Technology. From 1991 to 1998, he served as General Director for industrial strategies at the French Ministry of Economy, Finances and Industry, and from 1999 to 2003 he served as an Ambassador at large for foreign investments in France and as President of the French Agency for International Investments. From 2003 through February 2005, he served as Orange's Senior Executive Vice President in charge of technologies, strategic partnerships and new usages and as a member of Orange's Executive Committee. Mr. Lombard is also a member of the Board of Directors of Thales and Technicolor (previously Thomson), one of our customers, as well as a member of the Supervisory Board of Radiall. Mr. Lombard was also a member until his resignation on November 15, 2006 of the Supervisory Board of ST Holding, our largest shareholder. Mr. Lombard is a graduate of the Ecole Polytechnique and the Ecole Nationale Supérieure des Télécommunications.

Bruno Steve has been a member of our Supervisory Board since 1989 and has been its Vice Chairman since May 2011. He has previously held the positions of Chairman and member. Mr. Steve serves on our Supervisory Board's Compensation Committee, Strategic Committee and Nominating and Corporate Governance Committee. He was with Istituto per la Ricostruzione Industriale IRI S.p.A. ("I.R.I"), a former shareholder of Finmeccanica, Finmeccanica and other affiliates of I.R.I. in various senior positions for over 17 years. Mr. Steve served as Chairman of the Statutory Auditors of Selex Galileo S.p.A. until December 2012. He previously served as member of the Statutory Auditors of Pirelli Tyres S.p.A. Until December 1999, he served as Chairman of MEI. He served as the Chief Operating Officer of Finmeccanica from 1988 to July 1997 and Chief Executive Officer from May 1995 to July 1997. He was Senior Vice President of Planning, Finance and Control of I.R.I. from 1984 to 1988. Prior to 1984, Mr. Steve served in several key executive positions at Telecom Italia. Until December 2012, he was also a professor at LUISS Guido Carli University in Rome. Mr. Steve was Vice Chairman from May 1999 to March 2002, Chairman from March 2002 to May 2003 and member until his resignation on April 21, 2004 of the Supervisory Board of ST Holding, our largest shareholder.

Jean d'Arthuys has been a member of our Supervisory Board since May 2011. Mr. d'Arthuys serves on our Supervisory Board's Compensation Committee, Strategic Committee and Nominating and Corporate Governance Committee. Mr. d'Arthuys is also the Chairman and CEO of FT1CI. He joined Bpifrance (formerly Fonds Stratégique d'Investissement) in 2010 as Director and member of the Executive Committee. Mr. d'Arthuys was a partner in the fund PAI Partners from 2007 until 2010, in particular in charge of the sectors media, internet and telecom. He was previously Chairman and Chief Executive Officer of television channels Paris Premiere and W9. Mr. d'Arthuys spent the main part of his career at the Executive Board of the Group M6, where he had various functions (from 1996 until 2007). He managed in particular the activities of digital television and the development of the Group. He was a board member of TPS, Sportfive and Newsweb. Mr. d'Arthuys was also Chairman and Chief Executive Officer of the soccer club Girondins de Bordeaux. Mr. d'Arthuys graduated from HEC Business School.

Janet G. Davidson has been a member of our Supervisory Board since June 2013. She serves on our Supervisory Board's Audit Committee and Strategic Committee. She began her career in 1979 as a member of the Technical Staff of Bell Laboratories, Lucent Technologies (as of 2006 Alcatel Lucent), and served from 1979 through 2011 in several key positions, most recently as Chief Strategy Officer (2005 – 2006), Chief Compliance Officer (2006 – 2008) and EVP Quality & Customer Care (2008 – 2011). From 2005 through 2012, Ms. Davidson was a member of the Lehigh University Board of Trustees. In 2007 she served on the Riverside Symphonia Board of Trustees and in 2005 and 2006, Ms. Davidson was a member of the Liberty Science Center Board of Trustees. Ms. Davidson is currently (since 2011) a member of the board of the Alcatel Lucent Foundation. Ms. Davidson is a graduate of the Georgia Institute of Technology (Georgia Tech), Atlanta, GA, USA, and Lehigh University, Bethlehem, PA, USA and holds a Master's degree in Electrical Engineering.

Jean-Georges Malcor has been a member of our Supervisory Board since May 2011. Mr. Malcor serves on our Supervisory Board's Audit Committee. He is the Chief Executive Officer of CGG. He is a graduate of Ecole Centrale de Paris. He also holds a Master of Sciences degree from Stanford University, and a Doctorat from Ecole des Mines. Mr. Malcor began his career at the Thales group as an acoustic engineer in the Underwater Activities division where he was particularly in charge of hydrophone and geophone design and towed streamer programs. He then moved to the Sydney based Thomson Sintra Pacific Australia, becoming Managing Director of the company in 1990. Back in France, he became Director of Marketing and Communications (1991), then Director, Foreign Operations of Thomson Sintra Activités Sous Marines (1993). In 1996, he was appointed Managing Director of Thomson Marconi Sonar Australia which was, in addition to its military activities, the lead developing company for the solid geophysical streamer. In 1999, Mr. Malcor became the first Managing Director of the newly formed joint venture Australian Defense Industry. During this time he operated the Sydney based Woolloomooloo Shipyard (the largest dry dock in the southern hemisphere). In 2002, he became Senior Vice President, International Operations of Thales International. From 2004 to 2009, he was Senior Vice President in charge of the Naval Division, supervising all naval activities in Thales including ship design, building and maintenance. In January 2009, he became Senior Vice President, in charge of the Aerospace Division. In June 2009, he moved to the position of Senior Vice President, Continental Europe, Turkey, Russia, Asia, Africa, Middle East, and Latin America. Mr. Malcor joined CGG in January 2010 as President and became CEO on June 30, 2010. Since June 2013, Mr. Malcor has been a member of the Supervisory Board (as well as its Appointment and Compensation Committee) of the Fives Group.

Alessandro Ovi was a member of our Supervisory Board from 1994 until his term expired at our Annual General Meeting of Shareholders in March 2005. He was reappointed to our Supervisory Board at the 2007 Annual General Meeting of Shareholders and served on the Strategic Committee and the Audit Committee until his term expired. He was reappointed to the Supervisory Board on June 21, 2013. Mr. Ovi serves on our Supervisory Board's Audit Committee and Strategic Committee. Mr. Ovi received a doctoral degree in Nuclear Engineering from the Politecnico in Milan and a Master's Degree in Operations Research from the Massachusetts Institute of Technology. He has been special advisor to the President of the European Community for five years and has served on the boards of Telecom Italia S.p.A, Finmeccanica S.p.A. and Alitalia S.p.A. Currently, he is also a director of LandiRenzo S.p.A and Almaviva S.p.A. Mr. Ovi is a Life Trustee in Carnegie

Mellon University and a member of the board in the Italian Institute of Technology. Until April 2000, he was the Chief Executive Officer of Tecnitel S.p.A., a subsidiary of Telecom Italia Group. Prior to joining Tecnitel S.p.A., Mr. Ovi was the Senior Vice President of International Affairs and Communications at I.R.I.

Alessandro Rivera has been a member of our Supervisory Board since May 2011. Mr. Rivera serves on our Supervisory Board's Compensation Committee and Nominating and Corporate Governance Committee. He has been the Head of Directorate IV "Financial Sector Policy and Regulation Legal Affairs" at the Department of the Treasury, Ministry of Economy and Finance, since 2008. He served as Head of Unit in the Department of the Treasury from 2000 to 2008 and was responsible for a variety of policy matters: financial services and markets, banking foundations, accounting, finance, corporate governance and auditing. Since 2008, Mr. Rivera has been a Government representative in the "Consiglio Superiore" of the Bank of Italy as well as serving on the board of directors and Compensation Committee of Cassa Depositi e Prestiti S.p.A. and Posta Italiana S.p.A., the Financial Services Committee and the European Securities Committee. He was a member of the Accounting Regulatory Committee from 2002 to 2008 and a member of the Audit Regulatory Committee from 2005 to 2008. He served on the board of Italia Lavoro S.p.A. from 2005 to 2008 and was a member of the Audit Committee and the Compensation Committee. Mr. Rivera was also the Chairman of the Audit Committee of the "Fondo nazionale di garanzia degli intermediari finanziari" (Italian investor compensation scheme) from 2003 to 2008. From 2001 to 2010, he was the Project Leader and Deputy Project Leader in several twinning projects with Eastern European Countries (the Russian Federation, the Czech Republic, Lithuania, and Bulgaria). He also served on the board of Mediocredito del Friuli — Venezia Giulia S.p.A from 2001 to 2003.

Martine Verluyten has been a member of our Supervisory Board since May 2012. Ms. Verluyten serves on our Supervisory Board's Audit Committee and has been its Chair since April 22, 2013. Until 2011, Ms. Verluyten acted as CFO of Umicore N.V. based in Brussels. Previously she was CFO of Mobistar N.V. (2001-2006), having initially joined Mobistar in 2000 as Group Controller. She had earlier worked at Raychem since 1976, holding various management positions during her 23 year tenure, from Manager European Consolidations (1976-1979), to General Accounting Manager based in the US (1979-1983). She was then promoted to Division Controller Telecom Division Europe from 1983 to 1990. In 1990, she was appointed Finance & Administration Director back in Europe, then in 1995, Europe Controller Finance & Administration Director until 1999. Ms. Verluyten is also member of the board of directors of Thomas Cook plc, 3i plc and GBL ("group Bruxelles Lambert"). Ms. Verluyten began her career in 1973 at KPMG as an Auditor.

Tom de Waard has been a member of our Supervisory Board since 1998. Mr. de Waard serves on our Supervisory Board's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. He was Chairman of the Audit Committee from 1999 until 2013 and is also Chairman of the Nominating and Corporate Governance Committee. Mr. de Waard was a partner at Clifford Chance, a leading international law firm, until October 2011. From January 1, 2005 to January 1, 2007 he was a member of the Management Committee of Clifford Chance. Prior to joining Clifford Chance, he was a partner at Stibbe, where he held several positions since 1971 and gained extensive experience working with major international companies, particularly with respect to corporate finance. He is a member of the Amsterdam bar and was President of the Netherlands Bar Association from 1993 through 1995. He received his law degree from Leiden University in 1971. Mr. de Waard is the chairman of the Supervisory Board of BE Semiconductor Industries N.V. ("BESI") and a member of its Audit Compensation and Nominating Committees. Mr. de Waard is a member of the Supervisory Board of N.V. Nuon Energy and Chairman of its Compensation Committee. Mr. de Waard is Chairman of the Board of Stichting Administratiekantoor aandelen Telegraaf Media Groep N.V.

Supervisory Board Committees

Membership and Attendance. As of December 31, 2013, the composition of our Supervisory Board's committees was as follows: (i) Ms. Martine Verluyten is the Chair of the Audit Committee, and Ms. Janet G. Davidson and Messrs. Jean-Georges Malcor, Alessandro Ovi and Tom de Waard are members of the Audit Committee; (ii) Mr. Didier Lombard is the Chairman of the Compensation Committee, and Messrs. Jean d'Arthuys, Alessandro Rivera, Bruno Steve and Tom de Waard are members of the Compensation Committee; (iii) Mr. Tom de Waard is the Chairman of the Nominating and Corporate Governance Committee, and Messrs. Jean d'Arthuys, Didier Lombard, Alessandro Rivera and Bruno Steve are members of the Nominating and Corporate Governance Committee; and (iv) Mr. Didier Lombard is the Chairman of the Strategic Committee, and Ms. Janet G. Davidson and Messrs. Jean d'Arthuys, Alessandro Ovi and Bruno Steve are members of the Strategic Committee.

Detailed information on attendance at full Supervisory Board and Supervisory Board Committee meetings during 2013 is as follows:

Number of Meetings Attended in 2013	Full Board	Audit Committee	Compensation Committee	Strategic Committee	Nominating & Corporate Governance Committee
Didier Lombard	10	n/a	3	1	5
Bruno Steve	9	n/a	3	1	4
Jean d'Arthuys	8	n/a	2	1	5
Janet G. Davidson(1)	6	5	n/a	1	n/a
Jean-Georges Malcor	10	10	n/a	n/a	n/a
Alessandro Ovi	10	10	n/a	1	n/a
Alessandro Rivera	10	n/a	3	n/a	4
Martine Verluyten	8	9	n/a	n/a	n/a
Tom de Waard	10	9	3	n/a	5
Raymond Bingham(2)	4	5	n/a	n/a	n/a

(1) Ms. Davidson was appointed as a member of our Supervisory Board on June 21, 2013.
(2) Mr. Bingham's mandate as member of the Supervisory Board expired on June 21, 2013.

Audit Committee. Our Audit Committee was established in 1996 to assist the Supervisory Board in fulfilling its oversight responsibilities relating to corporate accounting, reporting practices, and the quality and integrity of our financial reports as well as our auditing practices, legal and regulatory related risks, execution of our auditors' recommendations regarding corporate auditing rules and the independence of our external auditors.

Our Audit Committee met 10 times during 2013. At many of the Audit Committee's meetings, the committee received presentations on current financial and accounting issues and had the opportunity to interview our CEO, CFO, General Counsel, Compliance Officer and external and internal auditors. Our Audit Committee also met with outside U.S. legal counsel to discuss corporate requirements pursuant to NYSE's corporate governance rules and the Sarbanes Oxley Act. Our Audit Committee also proceeded with its annual review of our internal audit function. Our Audit Committee reviewed our annual Consolidated Financial Statements in U.S. GAAP for the year ended December 31, 2013, and the results press release was published on January 27, 2014.

Our Audit Committee approved the compensation of our external auditors for 2013 and discussed the scope of their audit, audit related and non-audit related services for 2014.

At the end of each quarter, prior to each Supervisory Board meeting to approve our quarterly results and earnings press release, our Audit Committee reviewed our interim financial information and the proposed press release and had the opportunity to raise questions to management and the independent registered public accounting firm. In addition, our Audit Committee reviewed our quarterly "Operating and Financial Review and Prospects" and Consolidated Financial Statements (and notes thereto) before they were furnished to the SEC and voluntarily certified by the CEO and the CFO (pursuant to sections 302 and 906 of the Sarbanes Oxley Act). Our Audit Committee also reviewed Operating and Financial Review and Prospects and our Consolidated Financial Statements contained in this Form 20-F, prior to its approval by our Supervisory Board. Furthermore, our Audit Committee monitored our compliance with the European Directive and applicable provisions of Dutch law that require us to prepare a set of accounts pursuant to IFRS in advance of our Annual General Meeting of Shareholders, which was held on June 21, 2013. See "Item 3. Key Information — Risk Factors — Risks Related to Our Operations".

Also in 2013, our Audit Committee reviewed with our external auditors our compliance with Section 404 of the Sarbanes-Oxley Act. In addition, our Audit Committee regularly discussed the progress of the implementation of internal control over financial reporting and reviewed management's conclusions as to the effectiveness of internal control.

As part of each of its quarterly meetings, our Audit Committee reviewed our financial results as presented by Management and whistleblowing reports, including independent investigative reports provided by internal audit or outside consultants on such matters.

Compensation Committee. Our Compensation Committee was established to advise our Supervisory Board in relation to the compensation of our President and Chief Executive Officer and sole member of our Managing

Board, including the variable portion of such compensation based on performance criteria recommended by our Compensation Committee. Our Compensation Committee also reviews the stock based compensation plans for our senior managers and key employees. Our Compensation Committee met 3 times in 2013.

Among its main activities, in 2013 our Compensation Committee: (i) reviewed the objectives met as compared to the performance criteria relating to the CEO bonus for the fiscal year ended on December 31, 2012; (ii) reviewed the performance criteria relating to the CEO bonus for the fiscal year ending on December 31, 2013; (iii) reviewed the compensation scheme for members of our Supervisory Board, as proposed by our Supervisory Board at the annual general meeting of shareholders held on June 21, 2013; and (iv) established, on behalf and with the approval of the entire Supervisory Board, the applicable performance criteria, which must be met by senior managers and selected key employees participating in the employees stock award plans to benefit from such awards. In particular, our Compensation Committee recommended that the performance targets for the bonus of our CEO be based on, among other factors, the Company’s share price evolution versus SOXX, new major accounts revenues as well as certain financial targets and special programs.

For the 2013 unvested stock award plan, our Compensation Committee, on behalf, and with the approval, of the entire Supervisory Board, established the applicable performance criteria, which are based on sales and operating income evolution, as compared against a panel of semiconductor companies, and cash flow targets.

Strategic Committee. Our Strategic Committee was established to advise the Supervisory Board on and monitor key developments within the semiconductor industry and our overall strategy, and is, in particular, involved in supervising the execution of corporate strategies and in reviewing long-term planning and budgeting. Our Strategic Committee met once in 2013. In addition, there were strategic discussions, many of which occurred at extended Supervisory Board meetings and involved all Supervisory Board members. Among its main activities, our Strategic Committee reviewed prospects and various possible scenarios and opportunities to meet the challenges of the semiconductor market, including the evaluation of possible divestitures and partnerships to invest in new markets.

Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee was created to advise the Supervisory Board on the selection criteria and procedures relating to the appointment of members to our Supervisory Board and Managing Board, and to review principles relating to corporate governance. Our Nominating and Corporate Governance Committee met 5 times during 2013 to discuss the selection of candidate members to our Supervisory Board, changes to the Dutch Corporate Governance Code, recent developments in U.S. law regarding corporate governance and preparations for our annual general meeting.

Secretariat and Controllers. Our Supervisory Board appoints a Secretary and Vice Secretary. Furthermore, the Managing Board makes an Executive Secretary available to our Supervisory Board, who is also appointed by the Supervisory Board. The Secretary, Vice Secretary and Executive Secretary constitute the Secretariat of the Supervisory Board. The mission of the Secretariat is primarily to organize meetings, to ensure the continuing education and training of our Supervisory Board members and to maintain record keeping. Mr. Bertrand Loubert serves as Secretary, Mr. Luigi Chessa serves as Vice Secretary and Mr. Philippe Dereeper, our Chief Compliance Officer, serves as Executive Secretary for our Supervisory Board, and for each of the Compensation, Nominating and Corporate Governance and Strategic Committees of our Supervisory Board. Mr. Willem Toussaint serves as the secretary of our Audit Committee.

Our Supervisory Board appoints two financial experts (“Controllers”). The mission of the Controllers is primarily to assist our Supervisory Board in evaluating our operational and financial performance, business plan, strategic initiatives and the implementation of Supervisory Board decisions, as well as to review the operational reports provided under the responsibility of the Managing Board. The Controllers generally meet once a month with the management of the Company and report to our Supervisory Board. The current Controllers are Messrs. Nicolas Manardo and Andrea Novelli.

The STH Shareholders’ Agreement between our principal indirect shareholders contains provisions with respect to the appointment of the Secretary, Vice Secretary and Controllers, which are described in “Item 7. Major Shareholders and Related Party Transactions”.

Managing Board

In accordance with Dutch law, our management is entrusted to the Managing Board under the supervision of our Supervisory Board. Mr. Carlo Bozotti, who was re-appointed in 2011 for a three year term to expire at the end of our 2014 Annual General Meeting of Shareholders, is currently the sole member of our Managing Board with the function of President and Chief Executive Officer. Since its creation in 1987, our Managing Board has always been comprised of a sole member. The member of our Managing Board is appointed for a three year term, as described in our Articles of Association, which may be renewed one or more times in accordance with our Articles of Association upon a non-binding proposal by our Supervisory Board at our shareholders' meeting and adoption by a simple majority of the votes cast at the shareholders' meeting where at least 15% of the issued and outstanding share capital is present or represented. If our Managing Board were to consist of more than one member, our Supervisory Board would appoint one of the members of our Managing Board to be chairman of our Managing Board for a three year term, as defined in our Articles of Association (upon approval of at least three quarters of the members of our Supervisory Board). In such case, resolutions of our Managing Board would require the approval of a majority of its members.

Our shareholders' meeting may suspend or dismiss one or more members of our Managing Board at a meeting at which at least one half of the outstanding share capital is present or represented. If a quorum is not present, a further meeting shall be convened, to be held within four weeks after the first meeting, which shall be entitled, irrespective of the share capital represented, to pass a resolution with regard to the suspension or dismissal of one or more members of our Managing Board. Such a quorum is not required if a suspension or dismissal is proposed by our Supervisory Board. In that case, a resolution to dismiss or to suspend a member of our Managing Board can be taken by a simple majority of the votes cast at a meeting where at least 15% of our issued and outstanding share capital is present or represented. Our Supervisory Board may suspend members of our Managing Board, but a shareholders' meeting must be convened within three months after such suspension to confirm or reject the suspension. Our Supervisory Board shall appoint one or more persons who shall, at any time, in the event of absence or inability to act of all the members of our Managing Board, be temporarily responsible for our management.

Under Dutch law, our Managing Board is entrusted with our general management and the representation of the Company. Our Managing Board must seek prior approval from our shareholders' meeting for decisions regarding a significant change in the identity or nature of the Company. Under our Articles of Association, our Managing Board must obtain prior approval from our Supervisory Board for (i) all proposals to be submitted to a vote at a shareholders' meeting; (ii) the formation of all companies, acquisition or sale of any participation, and conclusion of any cooperation and participation agreement; (iii) all of our multi-year plans and the budget for the coming year, covering investment policy, policy regarding R&D, as well as commercial policy and objectives, general financial policy, and policy regarding personnel; and (iv) all acts, decisions or operations covered by the foregoing and constituting a significant change with respect to decisions already taken by our Supervisory Board. In addition, under our Articles of Association, our Supervisory Board and our shareholders' meeting may specify by resolution certain additional actions by our Managing Board that require its prior approval.

In accordance with our Corporate Governance Charter, the sole member of our Managing Board and our senior managers may not serve on the board of a public company without the prior approval of our Supervisory Board. Pursuant to the charter adopted by our Supervisory Board, the sole member of our Managing Board must inform our Supervisory Board of any (potential) conflict of interest and pursuant to such charter and Dutch law, any Managing Board resolution regarding a transaction in relation to which the sole member of our Managing Board has a conflict of interest must be approved and adopted by our Supervisory Board. Should our entire Supervisory Board also have a conflict of interest, the resolution must be adopted by our shareholders' meeting pursuant to Dutch law. We are not aware of any potential conflicts of interests between the private interest or other duties of our sole Management Board member and our senior managers and their duties to our Company.

Pursuant to the charter adopted by our Supervisory Board, the following decisions by our Managing Board with regard to the Company and any of our direct or indirect subsidiaries (an "ST Group Company") require prior approval from our Supervisory Board: (i) any modification of our or any ST Group Company's Articles of Association or other constitutional documents, other than those of wholly owned subsidiaries; (ii) any change in our or any ST Group Company's authorized share capital or any issue, acquisition or disposal by us of our own shares, or any ST Group Company's shares, or change in share rights or issue of any instruments granting an interest in our or an ST Group Company's capital or profits other than those of our wholly owned subsidiaries; (iii) any liquidation or dissolution of us or any ST Group Company or the disposal of all or a substantial and material part of our business or assets, or those of any ST Group Company, or of any shares in any such ST Group Company; (iv) any merger, acquisition or joint venture agreement (and, if substantial and material, any agreement relating to IP) or formation of a new company to which we or any ST Group Company is, or is proposed to be, a party, as well as the formation of new companies by us or any ST Group Company (with the understanding that only acquisitions above $25 million per transaction are subject to prior Supervisory Board

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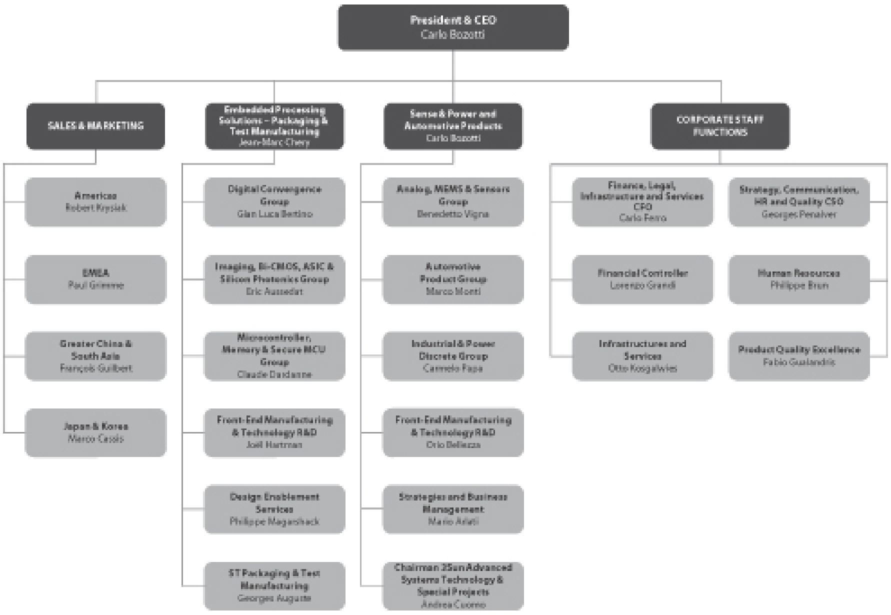
approval); (v) approval of our draft Consolidated Balance Sheets and Consolidated Financial Statements, as well as our and our subsidiaries' profit distribution policies; (vi) entering into any agreement that may qualify as a related party transaction, including any agreement between us or any ST Group Company and ST Holding, FT1CI, Ministero dell'Economia e delle Finanze, Bpifrance or CEA; (vii) the key parameters of our five-year plans and our consolidated annual budgets, as well as any significant modifications to said plans and budgets, or any one of the matters set forth in our Articles of Association and not included in the approved plans or budgets; (viii) approval of operations of exceptional importance which have to be submitted for Supervisory Board prior approval even if their financing was already provided for in the approved annual budget; (ix) approval of our quarterly and annual Consolidated Financial Statements prepared in accordance with U.S. GAAP and semi-annual and annual accounts using IFRS, prior to submission for shareholder adoption; and (x) the exercise of any shareholder right in an ST joint venture company, which is a company (a) with respect to which we hold directly or indirectly either a minority equity position in excess of 25% or a majority position without the voting power to adopt extraordinary resolutions, or (b) in which we directly or indirectly participate and such participation has a value of at least one third of our total assets according to the Consolidated Balance Sheets and notes thereto in our most recently adopted (statutory) annual accounts.

Senior Management

Our senior managers support our Managing Board in its management of the Company, without prejudice to our Managing Board's ultimate responsibility.

In August 2013, we introduced a new, simplified organization. Since that date, our organizational chart is as follows:



As a company committed to good governance, we hold several corporate meetings on a regular basis. Such meetings, which involve the participation of several of our senior management, include:

Corporate Operations Reviews (COR), which meets twice per quarter to review monthly results and short-term forecasts.

Corporate Staff Meeting, which meets once per quarter to review the business in its entirety and to plan and forecast for the next quarter and beyond.

Corporate Strategic Committee, which meets six times per year, sets corporate policy, coordinates strategies of our various functions and drives major cross functional programs.

Our senior managers as of December 31, 2013 were:

Name	Position[(1)]	Years with Company	Years in Semi-Conductor Industry	Age
Carlo Bozotti	President and Chief Executive Officer	37	37	61
Jean-Marc Chery	Executive Vice President, Vice Chairman of the Corporate Strategic Committee, General Manager, Embedded Processing Solutions (EPS)	29	29	53
Carlo Ferro[(1)]	Chief Financial Officer, Executive Vice President Finance, Legal, Infrastructure and Services	14	14	53
Mario Arlati[(2)]	Executive Vice President, Member of the Corporate Strategic Committee, Strategies and Business Management	39	39	65
Georges Auguste	Executive Vice President, General Manager Packaging and Test Manufacturing	27	39	64
Eric Aussedat	Executive Vice President, General Manager Imaging, BiCMOS ASIC & Silicon Photonics Group	32	32	60
Orio Bellezza	Executive Vice President, Member of the Corporate Strategic Committee, General Manager, Front-End Manufacturing & Technology R&D Sense & Power and Automotive Products (SP&A)	30	30	54
GianLuca Bertino	Executive Vice President, General Manager, Digital Convergence Group	16	27	54
Philippe Brun	Corporate Vice President, Human Resources and Sustainable Development	27	27	55
Marco Luciano Cassis	Executive Vice President, President, Japan and Korea Region	26	26	50
Andrea Cuomo	Executive Vice President, Advanced Systems Technology and Special Projects, STMicroelectronics Chairman, 3Sun	30	30	59
Claude Dardanne	Executive Vice President, Member of the Corporate Strategic Committee, General Manager, Microcontroller, Memory & Secure MCU Group	31	34	61
Lorenzo Grandi	Corporate Vice President, Corporate Control	26	26	52
Paul Grimme	Executive Vice President, Member of the Corporate Strategic Committee, General Manager, Sales & Marketing, Europe, Middle East and Africa	5	33	54
Fabio Gualandris	Executive Vice President, Product Quality Excellence	26	29	54
François Guibert	Executive Vice President, President, Greater China-South Asia Region	33	36	60
Joel Hartmann	Executive Vice President, Front-End Manufacturing & Technology R&D, Embedded Processing Solutions (EPS)	13	35	58

Name	Position(1)	Years with Company	Years in Semi-Conductor Industry	Age
Otto Kosgalwies	Executive Vice President, Member of the Corporate Strategic Committee, Company Infrastructures and Services	30	30	58
Robert Krysiak	Executive Vice President, President, Americas Region	31	31	59
Philippe Magarshack	Executive Vice President, Design Enablement & Services	19	28	52
Marco Monti	Executive Vice President, General Manager Automotive Product Group	27	27	52
Carmelo Papa	Executive Vice President, Member of the Corporate Strategic Committee, General Manager, Industrial & Power Discrete Group	31	31	64
Georges Penalver	Chief Strategy Officer, Executive Vice President, Member of the Corporate Strategic Committee, Strategy, Communication, Human Resources and Quality	2	2	57
Benedetto Vigna	Executive Vice President, Member of the Corporate Strategic Committee, General Manager, Analog, MEMS & Sensors Group STMicroelectronics	19	19	44

(1) Mr. Carlo Ferro returned to ST as Chief Financial Officer, Executive Vice President Finance, Legal, Infrastructure and Services in August 2013 and has been President and Chief Executive Officer of ST-Ericsson since April 2013.

(2) Mr. Mario Arlati was Chief Financial Officer until August 2013.

Biographies of our Current Senior Management

Carlo Bozotti is President and Chief Executive Officer of ST and has held this position since March 2005. He is the Sole Member of the Managing Board and chairs the Company's Corporate Strategic Committee. Mr. Bozotti joined SGS-ATES (later renamed SGS Microelettronica), a predecessor company to STMicroelectronics, in 1977. Ten years later, when SGS Microelettronica of Italy merged with Thomson Semiconducteurs of France to form a new European champion, which is ST today and is among the leading semiconductor companies worldwide, Mr. Bozotti became General Manager of the Telecom Product Division. Subsequently, he was promoted to Director of Corporate Strategic Marketing and Key Accounts and, later, to Corporate Vice President, Marketing and Sales, Americas. In 1994, Mr. Bozotti was appointed Corporate Vice President for Europe and the Headquarters Regions, overseeing the Company's sales in Europe, as well as sales to key customers and strategic marketing worldwide. From 1998 to 2005, Mr. Bozotti served as Corporate Vice President and General Manager of the Memory Products Group. Leveraging ST's deep understanding of client and market needs, through the years Mr. Bozotti has contributed to forging a number of strategic customer alliances and joint ventures with other industry leaders in different market segments. In late 2012, Mr. Bozotti announced a strategic plan realigning the Company with changing market dynamics and announcing the decision to exit from ST-Ericsson after a transition period. The new ST focuses on two key pillars — Sense and Power and Automotive products and Embedded Processing Solutions — with five growth drivers: MEMS and sensors, smart power, automotive products, microcontrollers, and application processors including digital consumer. In 2011, Mr. Bozotti began a second (non-consecutive) term as the President of the European Semiconductor Industry Association (ESIA). Mr. Bozotti graduated with a degree in Electronic Engineering from the University of Pavia, Italy.

Jean-Marc Chery is Executive Vice President, General Manager, Embedded Processing Solutions (EPS) at ST, and has held this position since May 2013. He also holds overall responsibility for the Technology R&D and Front-End Manufacturing of EPS, as well as the Packaging & Test Manufacturing and Product Quality Excellence for the whole Company. Mr. Chery is Vice Chairman of our Corporate Strategic Committee.

Mr. Chery began his career in the Quality organization of Matra, the French engineering group. In 1986, he joined Thomson Semiconducteurs, which subsequently became ST, and held various management positions in product planning, rising to lead ST's wafer fabs in Tours, France (1993), and later in Rousset, France (2001). In 2005, Mr. Chery led the company-wide 150-mm wafer-production restructuring program before taking charge of ST's Front-End Manufacturing operations in Asia Pacific. In 2008, he was promoted Chief Technology Officer and assumed additional responsibilities for Manufacturing and Quality in 2011 and the Digital Product Sector in 2012. Mr. Chery sits on the boards of ST-Ericsson SA, CATRENE, the European microelectronics R&D program, and AENEAS (Association for European NanoElectronics Activities). Mr. Chery graduated with a degree in Engineering from the ENSAM engineering school in Paris, France.

Carlo Ferro is Chief Financial Officer, Executive Vice President Finance, Legal, Infrastructure and Services and has held the CFO position since May 2003, with temporary suspension during his tenure at ST-Ericsson, where he first served as Chief Operating Officer (February 2012 - March 2013) and then was appointed President and Chief Executive Officer in April 2013 to lead the re-organization to split up the joint-venture business and resources to the two shareholders and wind-down the JV. Since August 2013, his overall responsibilities at ST encompass, in addition to Finance and Control, Central Operational Planning, Global Procurement, Legal, Intellectual Property, Compliance, Information and Communication Technology, Investor Relations, and Public Affairs in Italy. Mr. Ferro is a member of our Corporate Strategic Committee. He also maintains the role of President and CEO of ST-Ericsson. From 1992 to 1996, Mr. Ferro gained extensive experience in Planning and Control, Corporate Finance and M&A at Finmeccanica, the leading Italian high-tech engineering and manufacturing group and a former shareholder of STMicroelectronics. Over the next three years he held executive positions for Elsag Bailey Process Automation NV, a global leader in process control listed at NYSE, first as Vice President for Strategic Planning, and later as Vice President for Planning and Control and Principal Financial Officer. In 1999, Mr. Ferro joined ST as Group Vice President Corporate Finance, overseeing finance and accounting for all the Company's worldwide affiliates, tax planning, internal control, internal audit, and finance for M&A. In 2002, he became Deputy CFO, and was promoted to Chief Financial Officer in 2003. Mr. Ferro sits on the Board of Directors of STS, the Company's manufacturing joint venture in China, and holds board memberships at ST's affiliates in France and Italy. He served as Chairman of Incard, sole Managing Director of ST Service Srl and as board member and Chair of the Audit Committee of ST-Ericsson. He graduated in Business and Economics from the LUISS Guido Carli University in Rome, where he served as a professor of Planning and Control until 1996 and as an associate professor of Finance from 2008 through 2011. He is a Certified Public Accountant in Italy.

Mario Arlati is Executive Vice President, Strategies and Business Management for the Company's Sense & Power and Automotive Products (SP&A) Segment and has held this position since August 2013. Mr. Arlati is a member of our Corporate Strategic Committee. Mr. Arlati started his professional career at SGS-ATES, a predecessor company of STMicroelectronics. He was an integral member of the teams that managed the 1987 merger of SGS Microelettronica and Thomson Semiconducteurs, and later, in 1994, ST's Initial Public Offering on the NYSE and Euronext Paris, followed in 1998 by ST's listing on the Borsa Italiana. Mr. Arlati's career has covered all of the various functions including Accounting, Business Control, Finance, and Consolidation Reporting, in positions of increasing responsibility. He was promoted to Corporate Controller and later became Chief Accounting Officer and Head of External Reporting. He also participated in the establishment of the ST Foundation, an independent charitable organization, serving as a Director since its inception. From February 2012 to July 2013, Mr. Arlati served as Chief Financial Officer of ST. He graduated with a degree in Business and Economics from Università Cattolica in Milan, Italy.

Georges Auguste is Executive Vice President and General Manager of ST's Packaging and Test Manufacturing organization and has held this position since May 2011. Mr. Auguste started his career in semiconductors with Philips as a technical manager. He joined Thomson Semiconducteurs, a predecessor company to STMicroelectronics, in 1986, and two years later was appointed General Manager of the manufacturing facility in Nancy, France. From 1990, Mr. Auguste served as Managing Director of the Company's operations in Morocco. In 1997, he was appointed Director of the Total Quality and Environment Group, and, in 1999, he was promoted to Corporate Vice President, responsible for implementing ST's goals to reduce consumption of natural resources and further improve quality. In 2005, Mr. Auguste's mission was enlarged to cover the coordination of ST's corporate responsibility strategy, encompassing social, ethical and environmental aspects. In 2008, he became Executive Vice President, Director of Product Quality Excellence, addressing product quality matters throughout the Company's operations. Mr. Auguste graduated with an engineering degree from the Ecole Supérieure d'Electricité in Paris and holds the diploma of the "Institut d'Administration des Entreprises" (Institute of Business Administration).

Eric Aussedat is Executive Vice President and General Manager of Imaging, BiCMOS ASIC and Silicon Photonics Group and has managed these responsibilities since February 2012. Mr. Aussedat joined Thomson Semiconducteurs, a predecessor company to ST, as Product Engineer in 1981. He held various positions in product engineering and planning and was promoted Planning Manager of the Video Products Group in 1986. Later on, Mr. Aussedat was appointed to manage the product and manufacturing planning operations of INMOS, a UK company acquired by ST in 1989. Subsequently, he supervised the Engineering and Test Strategy for the Programmable Product Group before his promotion to the Head of ST’s Microcontroller Division in 1995. From 2000 to 2004, Mr. Aussedat led the TV and Display Division, and he became General Manager of ST’s Cellular Communication Division in 2005. Two years later, Mr. Aussedat was appointed General Manager of the Imaging Division, which has significantly strengthened its profitability under his direction. Mr. Aussedat graduated with a degree in Electronic Engineering from the Institut National Polytechnique in Grenoble and earned a diploma from the Institut d’Administration des Entreprises of Grenoble.

Orio Bellezza is Executive Vice President and General Manager of Front-End Manufacturing & Technology R&D for the Company’s Sense & Power and Automotive Products (SP&A) Segment. He has been responsible for Front-End Manufacturing since 2008 and assumed additional responsibility for technology R&D for automotive and industrial & multisegment products in February 2012. He is a member of our Corporate Strategic Committee. Mr. Bellezza joined SGS-ATES, a predecessor company to STMicroelectronics, in 1984. He soon moved to the Company’s Central R&D organization and participated in several key projects, including the introduction of process technology modules for manufacturing sub-micron non-volatile memories. In 1996, Mr. Bellezza was appointed Director of ST’s R&D facility in Agrate and led its upgrade and expansion into the Company’s development center for non-volatile memory and smart-power technologies. In 2002, he became Vice President of Central R&D, and in 2005, was appointed to Vice President and Assistant General Manager of Front-End Technology and Manufacturing. He has published technical papers and earned several patents in non-volatile memories. Mr. Bellezza graduated with a degree in Chemistry from the University of Milan (Università degli Studi di Milano), Italy.

Gian Luca Bertino is Executive Vice President and General Manager of ST’s Digital Convergence Group and has held this position since February 2012. Mr. Bertino started his professional career with Olivetti Personal Computers, where he rose through the ranks to Head of Development, Portable PCs. Bertino joined SGS-Thomson Microelectronics (now STMicroelectronics) in 1997 as a Market Development Manager. The following year he was appointed Director of the Computer and Consumer Business Unit, responsible for sales and marketing in Europe, and was promoted to Europe Region Vice President, Computer and Consumer, in 2000. In 2003, Mr. Bertino joined ST’s Telecommunications, Peripherals and Automotive Group as Vice President and General Manager of the Data Storage Division, where he strengthened the Company’s partnerships in the storage segment. In 2005, Mr. Bertino was promoted to Corporate Vice President and General Manager of ST’s Computer Product Group, and in 2008, Mr. Bertino’s group was expanded to include the Communication Infrastructure organization. Mr. Bertino graduated with a degree in Electronic Engineering from the Polytechnic of Turin, Italy.

Philippe Brun is a Corporate Vice President in charge of ST’s Human Resources & Sustainable Development. Responsible for HR at ST since August 2012, his mission was expanded to cover the Company’s social responsibility, as well as environment, health, and safety in August 2013. Mr. Brun started his career at the Pechiney Group (now Rio Tinto). In 1986, he joined Thomson Semiconducteurs, a predecessor to STMicroelectronics, as a back-end process engineer. From 1989 to 1996, Mr. Brun managed Human Resources at the Grenoble, France site and served as Site Director at the Company’s St. Genis facility (France). In 1996, he was promoted to Human Resources Director responsible for over 10,000 employees in ST’s manufacturing organization worldwide. From 1999 to 2010, Mr. Brun served as Fab Operations and Site Director at ST’s plant in Rousset, France. In January 2011, he was appointed Group VP for execution excellence in ST’s Front-End Manufacturing organization. Mr. Brun graduated with an engineering degree from the Ecole Nationale Supérieure d’Arts et Métiers (ENSAM) in France and holds a Master degree in Aerospace engineering from the University of Colorado and a management degree from the IFG School of Business (France).

Marco Cassis is an Executive Vice President of ST and President of the Company’s Japan and Korea Region. Mr. Cassis has led ST’s operations in Japan since 2005 and his mandate was expanded to include Korea after the re-organization of the Company’s regional structure in January 2010. Mr. Cassis joined SGS-Thomson Microelectronics (now STMicroelectronics) as a car radio chip designer in 1987. Six years later, he moved to Japan to help expand the Company’s audio business with major Japanese players and contributed to the establishment of ST’s strategic alliance with Pioneer in the late 1990s. In 2000, Mr. Cassis took charge of the

Audio Business Unit and he was subsequently promoted to Director of Audio and Automotive Group, responsible for design, marketing, sales, application support and customer service. In 2004, Mr. Cassis was named Vice President of Marketing for automotive, computer peripheral, and telecom products. In 2005, he advanced to VP Automotive Segment Group and joined the Board of STMicroelectronics K.K., the Japanese subsidiary. Mr. Cassis graduated with a degree in Electronic Engineering from the Polytechnic of Milan, Italy.

Andrea Cuomo is Executive Vice President, Advanced Systems Technology (AST) and Special Projects, and has held this position since January 2012. He also serves as Chairman of the Board at 3Sun, ST's photovoltaic joint venture with Enel Green Power and Sharp. Mr. Cuomo joined SGS Microelettronica, a predecessor company to STMicroelectronics, in 1983, and rose to become Vice President for the Headquarters Region in 1994. In 1998, he created the AST group, a key organization in the development of ST's system knowledge and advanced architectures. In 2002, Mr. Cuomo was promoted to Corporate Vice President and AST General Manager, and took on further responsibilities as Chief Strategy Officer in 2005. In 2008, Mr. Cuomo was appointed Executive Vice President, General Manager of Sales and Marketing for Europe and AST and his portfolio was later expanded to include the Middle East and Africa. His board memberships include the International Advisory Board at the HEC Business School in Paris, the International Advisory Board of Nano-Tera, a Swiss National program for Nanotechnologies, and TTFactor, the IP utilization arm of the Istituto Europeo di Oncologia. Mr. Cuomo studied Nuclear Science at the Polytechnic of Milan.

Claude Dardanne is Executive Vice President and General Manager of ST's Microcontroller, Memory & Secure MCU Group and has held this position since January 2007. He is a member of our Corporate Strategic Committee. Mr. Dardanne started his career with Thomson Semiconducteurs, a predecessor company to ST. From 1982, he was responsible for the marketing of microcontroller and microprocessor products. Between 1989 and 1994, Mr. Dardanne served as Marketing Director at Apple Computer, France, and Alcatel-Mietec, Belgium, covering markets such as Education, Banking, as well as Automotive and Industrial. In 1994, he rejoined ST as Director of Central Marketing for the Memory Products Group. In 1998, Mr. Dardanne became Head of the EEPROM (Electronically Erasable Programmable Read-Only Memory) Division and was promoted to Group Vice President and General Manager of the Serial Non-Volatile Memories Division in 2002. Two years later, he was appointed Group Deputy General Manager and Head of the Smart Card Division. Mr. Dardanne graduated with a degree in Electronic Engineering from the Ecole Supérieure d'Ingénieurs en Génie Electrique in Rouen, France.

Lorenzo Grandi is Corporate Vice President, Corporate Control and has held his position since February 2012. Mr. Grandi joined ST in 1987 as a process engineer working on BCD Technology development. In 1990, he moved to the Memory Product Group as Financial Analyst. In 1995, Mr. Grandi was promoted to the position of Group Controller of the Memory Product Group contributing to the expansion of the Flash/Memory business. In 2005, Mr. Grandi joined Corporate Finance with the responsibility for Budgeting and Reporting. He also contributed to the carve-out and deconsolidation of the ST Flash memory business. Mr. Grandi graduated cum laude in Physics from the University of Modena and holds a Master of Business Administration from SDA Bocconi Milano.

Paul Grimme is Executive Vice President and General Manager, Sales & Marketing, for ST's Europe, Middle East and Africa Region, and has held this position since January 2012. Mr. Grimme is a member of our Corporate Strategic Committee. Mr. Grimme began his career at Motorola, where he held positions of increasing responsibility in product engineering, marketing and operations management. He served as Corporate Vice President and General Manager of the 8/16-bit Products Division. In 1999, Mr. Grimme was promoted to Vice President and General Manager of the Advanced Vehicle Systems Division. He was later appointed Senior Vice President of the Transportation and Standard Products Group and continued in that role at Freescale Semiconductor after Motorola spun off its semiconductor business. Mr. Grimme also served as Senior Vice President and General Manager of Freescale Semiconductor's Microcontroller Solutions Group. Mr. Grimme joined ST in early 2009 and later that year he was appointed Executive Vice President and General Manager of STMicroelectronics' Automotive Product Group. Mr. Grimme graduated from the University of Nebraska (Lincoln) with a degree in Electrical Engineering and from the University of Texas (Austin) with a Master of Business Administration.

Fabio Gualandris is an Executive Vice President of ST in charge of Product Quality Excellence and has held this position since February 2011. Mr. Gualandris joined the R&D organization of SGS Microelettronica, a predecessor company to ST, in 1984, and was promoted to R&D Director of Operations in 1989. In 1996, Mr. Gualandris became Automotive Business Unit Director, focusing on product quality and development.

After two years in the U.S. as President and CEO of Semitool, a semiconductor manufacturing equipment vendor, he rejoined ST in 2000 as Group VP responsible for the RAM/PSRAM Product Division and the Flash Automotive Business Unit. In 2005, Mr. Gualandris was appointed CEO of ST Incard, an ST smart-card subsidiary. Two years later, he contributed to the carve out of ST's Flash Memory Group and subsequently joined Numonyx, the joint venture with Intel, as VP and Supply Chain General Manager. Mr. Gualandris has authored several technical and managerial papers, holds some international patents, and served as a board member in Incard SA, ST Incard, and the Numonyx-Hynix joint venture in China. He also served as Board member and President of Numonyx Italy. Mr. Gualandris graduated in Physics from the University of Milan.

François Guibert is Executive Vice President of ST and President of the Company's Greater China-South Asia Region. Guibert has led ST's operations in Asia Pacific since 2006; his responsibilities were expanded to include Greater China in 2010. Guibert joined Thomson Semiconducteurs, a predecessor company to ST, in 1981, after three years at Texas Instruments. He was appointed Director of Semicustom Business for Asia Pacific in 1987 and later became President of ST's Taiwan operations. Guibert also held senior positions in Corporate Business Development and Investor Relations. In 2005, he was promoted to Corporate Vice President, Emerging Markets. Guibert serves as Director of ST's JV with Shenzhen High Tech Industrial Company. He chairs the EU-ASEAN Business Council, the Board of Advisors for the Singapore Semiconductor Industry Association, and sits on boards at EuroCham in Singapore and Alliance Francaise de Singapour. Guibert previously chaired the Board at Veredus Laboratories, ST's Singapore-based life-sciences subsidiary, and was a board member at the Singapore Economic Development Board. He was decorated Knight of the National Order of Merit in France in 2009. François Guibert was born in Beziers, France, in 1953, and graduated with a degree in Electronic Engineering from Ecole Centrale Marseille, France.

Joel Hartmann is Executive Vice President of ST, Front-End Manufacturing and Technology R&D, Embedded Processing Solutions (EPS). He has managed these responsibilities for ST's digital products since February 2012. Mr. Hartmann is also in charge of the Company's manufacturing operations in Crolles, France. From 1979 to 2000, Mr. Hartmann worked at CEA-Leti, an applied-research center for microelectronics, information and healthcare technologies in Grenoble, France. In 2000, he joined ST as Director of the Crolles2 Alliance, the large-scale semiconductor manufacturing R&D initiative of STMicroelectronics, NXP and Freescale Semiconductor. In 2008, Mr. Hartmann was promoted to Group Vice President and Director of Advanced CMOS Logic & Derivative Technologies. In 2010, he gained additional responsibilities as a co-leader of the Semiconductor Research and Development Center in Fishkill, NY, within the IBM ISDA Technology Alliance for the development of advanced CMOS process. Mr. Hartmann sits on the Board of the SOI Industry Consortium Initiative and is a Member of the IEEE Electron Device Society. He has filed 15 patents on semiconductor technology and devices and authored 10 publications in this field to date. Mr. Hartmann graduated from the Ecole Nationale Supérieure de Physique de Grenoble (ENSPG) with a degree in Physics.

Otto Kosgalwies is Executive Vice President of ST in charge of Company Infrastructures and Services and has held this position since November 2004. Central Planning was added to his mandate in 2008. Mr. Kosgalwies is a member of our Corporate Strategic Committee. Mr. Kosgalwies joined SGS Bauelemente, a predecessor company to STMicroelectronics, in 1984. He took charge of central marketing for European distribution in 1992, and three years later, he began to oversee the regional sales and marketing operations. In 1997, Mr. Kosgalwies was appointed Managing Director of the Company's site in Munich, Germany. In 2001, he was promoted to Group Vice President for Sales & Marketing in Europe and General Manager of Supply Chain Management, responsible for the effective flow of goods and information from suppliers to end users at the global level. Mr. Kosgalwies graduated with a degree in Business and Economics from the Ludwigs-Maximilian University in Munich.

Robert Krysiak is an Executive Vice President of ST and President of the Company's Americas Region and has held this position since January 2010. He also chairs ST's Task Force on Electronic Manufacturing Services, the Worldwide Computer Market Program and the Worldwide Medical Program. Mr. Krysiak started his professional career in 1983 with INMOS, a company acquired by SGS-Thomson Microelectronics (now STMicroelectronics) in 1989. He formed and led a CPU design group since 1992, and in 1997 he was appointed Group Vice President and General Manager of ST's STAR division, which incorporated 16/32/64-bit microcontrollers and DSP products. Two years later he became Group Vice President responsible for micro cores development, including advanced System-on-Chip products for the digital consumer market. In 2001, Mr. Krysiak took charge of ST's DVD division. In 2004, he was promoted to Marketing Director for the Home, Personal, and Communications sector, the Company's largest product organization at the time. In

2005, when ST created its Greater China regional organization, covering ST's operations in China, Hong Kong, and Taiwan, Mr. Krysiak was appointed Corporate Vice President and General Manager. Mr. Krysiak graduated from Cardiff University, UK, with a degree in Electronics and holds an MBA from the University of Bath, UK.

Philippe Magarshack is Executive Vice President of ST in charge of Design Enablement & Services. He has had these responsibilities since March 2012. From 1985 to 1989, Mr. Magarshack worked as a microprocessor designer at AT&T Bell Labs in the USA. In 1989, he joined Thomson-CSF in Grenoble, France, and took responsibility for libraries and ASIC design kits for the military market. In 1994, Mr. Magarshack joined the Central R&D Group of SGS-THOMSON Microelectronics (now STMicroelectronics), where he has held several roles in CAD and Libraries management for advanced integrated-circuit manufacturing processes. In 2005, Mr. Magarshack was promoted to Group Vice President and General Manager of Central CAD and Design Solutions at ST's Technology R&D and Manufacturing organization. Mr. Magarshack is ST's Enablement Executive at the IBM ISDA Technology Alliance for the development of advanced CMOS process. He sits on the boards of Silicon Integration Initiative (Si2) and ENSIMAG Engineering School in Grenoble. Mr. Magarshack graduated with an engineering degree in Physics from Ecole Polytechnique, Palaiseau, France, and with an Electronics Engineering degree from Ecole Nationale Supérieure des Télécommunications in Paris, France.

Marco Monti is Executive Vice President and General Manager of ST's Automotive Product Group and has held this position since January 2012. Mr. Monti joined ST in Central R&D in 1986 and transferred to the Automotive Division in 1988, where he designed automotive ICs incorporating smart-power technologies. He moved to Japan in 1990 working on a co-development activity designing a noise-reduction system for audio applications. Subsequently, Mr. Monti transferred into marketing, contributing to the expansion of ST's Automotive business in Japan. In 2000, he became the marketing manager for the ST Automotive Division. Two years later, Mr. Monti started the automotive microprocessor business and in 2004 was promoted to Division General Manager for Powertrain, Safety and Chassis products. In 2009, he took responsibility for the Automotive Electronics Division inside ST's Automotive Product Group. Mr. Monti graduated cum laude in Electronic Engineering from the Polytechnic of Milan, Italy, and two years later from the University of Pavia, Italy, with a PhD in Electronics.

Carmelo Papa is Executive Vice President, General Manager of the Industrial & Power Discrete Group and has held this position since January 2012. He also leads ST's Online Marketing operations and holds overall responsibility for the System Lab, part of ST's Central Labs organization. Mr. Papa sits on the Board of Directors of ST New Ventures SA and is a member of our Corporate Strategic Committee. Mr. Papa started his professional career with International Computers Limited. He joined SGS Microelettronica, a predecessor company to STMicroelectronics, in 1983, and three years later was promoted to Director of Product Marketing and Customer Service for Transistors and Standard ICs. In 2000, Mr. Papa was appointed Corporate Vice President, responsible for ST's sales and marketing in Emerging Markets. In 2005, he was chosen to lead the Micro, Power and Analog Group and his mandate was expanded in 2007 as head of the Industrial & Multisegment Sector. Mr. Papa is currently serving his second term as Chairman of the European Platform on Smart Systems, an industry-driven initiative focused on innovation in nanotechnologies and smart systems integration. Mr. Papa graduated with a degree in Nuclear Physics from the University of Catania.

Georges Penalver is Chief Strategy Officer of ST, Executive Vice President Strategy, Communication, Human Resources and Quality and has held this position since August 2013. His overall responsibilities include Corporate Strategy and Development, Corporate Communication, Human Resources, Corporate Security, Product Quality Excellence, Public Affairs in France and EU, and ST New Ventures. He is a member of our Corporate Strategic Committee. Mr. Penalver started his career in 1980 with Sagem, where he developed the Broadband Communications Business, overseeing the launch of telecommunication products, the international industrial deployments, and the development of global sales networks. Mr. Penalver was appointed to Sagem's Management Board in 2001 and served as Deputy CEO, pushing the mass development of mobile and Internet services. In 2005, he joined the France Telecom Orange Group as Deputy CEO for Strategy and Business Development, responsible, at the group level, for product marketing and management of services in France Telecom Orange, product creation and development for the entire group, and Orange Labs' activities worldwide. In 2011, Mr. Penalver used his extensive experience to become a co-founder and managing partner of CathayaCapital Fund. Mr. Penalver serves as EMEA Regional Leadership Director for the Global Semiconductor Alliance. He is a Knight of the French "Ordre National du Mérite". Mr. Penalver holds a degree from the Ecole Nationale Supérieure d'Arts et Métiers (Gold) and from the Ecole Nationale Supérieure des Télécommunications in Paris.

Benedetto Vigna is Executive Vice President, General Manager of the Analog, MEMS & Sensors Group, and has held this position since September 2011. Mr. Vigna is a member of our Corporate Strategic Committee.

In 1995, Mr. Vigna joined ST's R&D Labs and launched the Company's efforts in MEMS. Six years later, he became Director of the MEMS Business Unit, responsible for design, manufacturing and marketing of ST's MEMS accelerometers and gyroscopes. These have been successfully adopted by large consumer equipment manufacturers for motion-activated user interfaces in many popular devices, including the Nintendo Wii game console and a wide range of successful smartphones and tablets. In 2007, Mr. Vigna's scope was enlarged to include management of Sensors, RF, High-Performance Analog and Mixed Signal, Interface, Audio for Portable, and General-Purpose Analog products. Mr. Vigna has filed more than 150 patents on micromachining to date, authored numerous publications in this field, and delivered many invited speeches at international conferences. He has served as industrial consultant for the President of the Italian Scientific Research Center and sits on the industrial board of several EU-funded programs. Mr. Vigna graduated with a degree in Subnuclear Physics from the University of Pisa, Italy.

As is common in the semiconductor industry, our success depends to a significant extent upon, among other factors, the continued service of our key senior executives and research and development, engineering, marketing, sales, manufacturing, support and other personnel, and on our ability to continue to attract, retain and motivate qualified personnel. The competition for such employees is intense, and the loss of the services of any of these key personnel without adequate replacement or the inability to attract new qualified personnel could have a material adverse effect on us. We do not maintain insurance with respect to the loss of any of our key personnel. See "Item 3. Key Information — Risk Factors — Risks Related to Our Operations — Loss of key employees could hurt our competitive position".

Compensation

The aggregate compensation for the members and former member of our Supervisory Board in respect of service in 2013 was €979,500 before any withholding taxes and applicable mandatory social contributions, as set forth in the following table.

Supervisory Board Members	Directors' Fees[1]
Didier Lombard	€164,625
Bruno Steve	€160,500
Jean d'Arthuys	€ 0[2]
Janet G. Davidson[3]	€ 94,625
Raymond Bingham[4]	€ 6,750
Jean-Georges Malcor	€ 95,875
Alessandro Ovi	€102,875
Alessandro Rivera	€ 93,000
Martine Verluyten	€145,875
Tom de Waard	€115,375
Total	**€979,500**

(1) These amounts include a fixed annual compensation for the directors' mandate, together with attendance fees from January 1, 2013 until December 31, 2013.

(2) Mr. d'Arthuys would have been entitled to receive €99,000 in 2013, but he waived his right to receive any compensation from the Company in relation to his mandate as a member of our Supervisory Board.

(3) Ms. Davidson was appointed as a member of our Supervisory Board on June 21, 2013.

(4) Mr. Bingham was a member of our Supervisory Board until June 21, 2013.

We do not have any service agreements with members of our Supervisory Board.

The total amount paid as compensation in 2013 to our senior management on duty on December 31, 2013, including Mr. Carlo Bozotti, the sole member of our Managing Board and our President and CEO, was approximately $17.4 million before any withholding taxes. Such amount also includes the amounts of EIP paid to the senior management pursuant to a Corporate Executive Incentive Program (the "EIP") that entitles selected executives to a yearly bonus based upon the individual performance of such executives. The maximum bonus awarded under the EIP is based upon a percentage of the executive's salary and is adjusted to reflect our overall performance. The participants in the EIP must satisfy certain personal objectives that are focused, inter alia, on return on net assets, customer service, profit, cash flow and market share. The relative charges and non-cash benefits were approximately $10.9 million. Within such amount, the remuneration of the current sole member of our Managing Board and President and CEO in 2013 was:

Sole Member of Our Managing Board and President and CEO	Salary	Bonus(1)	Charges and Non-Cash Benefits(2)	Total
Carlo Bozotti	$1,059,559	$1,165,514	$ 1,181,232	$ 3,406,305

(1) The bonus paid to the sole member of our Managing Board and President and CEO during the 2013 financial year was approved by the Compensation Committee, and approved by the Supervisory Board in respect of the 2012 financial year, based on fulfillment of a number of pre-defined objectives for 2012.

(2) Including stock awards, employer social contributions, company car allowance, pension contributions and miscellaneous allowances. In accordance with the resolutions adopted at our Annual General Meeting of Shareholders held on May 30, 2012, the bonus of the sole member of our Managing Board and our President and CEO during the 2013 financial year included a portion of a bonus payable in stock awards and corresponding to 33,621 shares based on fulfillment of a number of pre-defined objectives.

Mr. Bozotti was re-appointed as sole member of our Managing Board and President and Chief Executive Officer of our company by our Annual General Meeting of Shareholders on May 3, 2011 for a three year period. In each of the years 2010, 2011 and 2012, Mr. Bozotti was granted, in accordance with the compensation policy approved by our Shareholders' meeting, up to 100,000 unvested Stock Awards. The vesting of such stock awards is conditional upon certain performance criteria, fixed by our Supervisory Board, being achieved as well as Mr. Bozotti's continued service with us.

In 2009, our Supervisory Board approved the terms of Mr. Bozotti's employment by us, which are consistent with the compensation policy approved by our 2005 Annual General Meeting of Shareholders.

Effective May 1, 2011, the terms of Mr. Bozotti's employment were further modified and reviewed by our Supervisory Board.

Mr. Bozotti has two employment agreements with us, the first with our Dutch parent company, which relates to his activities as sole member of our Managing Board and representative of the Dutch legal entity, and the second in Switzerland, which relates to his activities as President and CEO, EIP, Pension and other items covered by the compensation policy approved by our shareholders.

As of January 1, 2013, the relationship between a member of the managing board and a listed Dutch company can no longer be treated as an employment agreement. In practice, it will be treated as a mandate agreement. However, existing employment agreements, including the employment agreement between us and our sole member of the Managing Board, will remain in effect.

Consistent with this compensation policy, the Supervisory Board, upon the recommendation of its compensation committee, set the criteria to be met for Mr. Bozotti for attribution of his 2013 bonus (based on new product introductions, market share and budget targets, as well as corporate governance initiatives). The Supervisory Board, however, has not yet determined the amount of the CEO bonus for 2013.

With regard to Mr. Bozotti's 2010 stock awards, the Supervisory Board, upon recommendation of the Compensation Committee, set the criteria for the attribution of the 100,000 stock awards permitted. The Supervisory Board noted that only two out of the three performance criteria linked to sales, operating income and cash flow had been met under the employee stock award plan and concluded that Mr. Bozotti was entitled to 66,672 stock awards, which vest as defined by the plan one year, two years and three years, respectively, after the date of the grant provided Mr. Bozotti is still an employee at such time (subject to the acceleration provisions in the event of a change in control).

With regard to Mr. Bozotti's 2011 stock awards, the Supervisory Board, upon recommendation of the Compensation Committee, noted that none of the three performance criteria linked to sales, operating income and return on net assets had been met under the employee stock award plan and concluded that Mr. Bozotti was not entitled to any stock award.

With regard to Mr. Bozotti's 2012 stock awards, the Supervisory Board, upon recommendation of the Compensation Committee, noted that only two out of the three performance criteria linked to sales, operating income and cash flow had been met under the employee stock award plan and concluded that Mr. Bozotti was entitled to 66,672 stock awards, which vest as defined by the plan one year, two years and three years, respectively, after the date of the grant provided Mr. Bozotti is still an employee at such time (subject to the acceleration provisions in the event of a change in control).

During 2013, Mr. Bozotti did not exercise any stock options granted to him, and did not sell any vested stock awards or purchase or sell any of our shares.

With regard to Mr. Bozotti's 2013 stock awards, the Supervisory Board, upon recommendation of the Compensation Committee, set the criteria for the attribution of the 100,000 stock awards permitted. The Supervisory Board, however, has not yet determined whether the performance criteria which condition the vesting (and which, as for all executive employees benefiting from unvested share awards, are linked to sales, operating income and cash flow) have been met.

Our Supervisory Board has approved the establishment of a complementary pension plan for our top executive management, comprising the CEO, and other key executives to be selected by the CEO, according to the general criteria of eligibility and service set up by the Supervisory Board upon the proposal of its Compensation Committee. With respect to such plan, we have set up an independent foundation under Swiss law which manages the plan and to which we make contributions. Pursuant to this plan, in 2013 we made a contribution of $0.3 million to the plan of our current President and Chief Executive Officer and $0.6 million to the plan for all other beneficiaries. The amount of pension plan payments made for other beneficiaries, such as former employees retired in 2013 and no longer salaried in 2013, was $0.8 million.

We did not extend any loans or overdrafts to our Supervisory Board members or to the sole member of our Managing Board and President and CEO. Furthermore, we have not guaranteed any debts or concluded any leases with our Supervisory Board members or their families, or the sole member of the Managing Board or his family.

For information regarding stock options and other stock based compensation granted to members of our Supervisory Board, the Managing Board and our senior management, please refer to "— Stock Awards and Options" below.

The current members of our Executive Committee and the Managing Board were covered in 2013 under certain group life and medical insurance programs provided by us. The aggregate additional amount set aside by us in 2013 to provide pension, retirement or similar benefits for our Executive Committee and our Managing Board as a group is in addition to the amounts allocated to the complementary pension plan described above and is estimated to have been approximately $5.2 million, which includes statutory employer contributions for state run retirement, similar benefit programs and other miscellaneous allowances.

Share Ownership

None of the members of our Supervisory Board and Managing Board or our senior management holds shares or options to acquire shares representing more than 1% of our issued share capital.

Stock Awards and Options

Our stock-based compensation plans are designed to incentivize, attract and retain our executives and key employees by aligning compensation with our performance and the evolution of our share price. We have adopted stock based compensation plans comprising either stock options or unvested stock awards for our senior management as well as key employees. Upon the proposal of our Supervisory Board, our Annual General Meeting of Shareholders held on June 21, 2013 resolved to abolish and terminate the stock-based compensation for members and professionals of our Supervisory Board as (previously) included in the three-year stock-based compensation plans for members and professionals of the Supervisory Board.

Pursuant to the shareholders' resolutions adopted by our general meetings of shareholders, our Supervisory Board, upon the proposal of the Managing Board and the recommendation of the Compensation Committee, took the following actions:

- approved, for a five year period, our 2008 unvested Stock Award Plan for Executives and Key Employees, under which directors, managers and selected employees may be granted stock awards upon the fulfillment of restricted criteria, such as those linked to our performance and continued service with us;
- approved conditions relating to our 2009 unvested stock award allocation under the 2008 Stock Award Plan, including restriction criteria linked to our performance;
- approved conditions relating to our 2010 unvested stock award allocation under the 2008 Stock Award Plan, including restriction criteria linked to our performance;
- approved conditions relating to our 2011 unvested stock award allocation under the 2008 Stock Award Plan, including restriction criteria linked to our performance; and
- approved conditions relating to our 2012 unvested stock award allocation under the 2008 Stock Award Plan, including restriction criteria linked to our performance.

At our Annual General Meeting of Shareholders held on June 21, 2013, it was resolved to approve a new four-year Unvested Stock Award Plan for the Management and Key Employees, which provides that stock awards may be granted under restricted criteria to selected employees.

We use our treasury shares to cover the stock awards granted under the unvested stock award plans. In the year ended as of December 31, 2013, 2,507,616 stock awards granted in relation to 2010 and 2012 had vested, leaving 20,096,542 treasury shares outstanding. The stock award allocation for 2013 generated an additional charge of $13 million in the consolidated statement of income for 2013, which corresponds to the cost per service in the year for all granted shares that are (or are expected to be) vested pursuant to the financial performance criteria being met.

The exercise of stock options and the sale or purchase of shares of our stock by the members or professionals of our Supervisory Board, the sole member of our Managing Board and President and CEO, and all our employees are subject to an internal policy which involves, inter alia, certain blackout periods.

Employee and Managing Board Stock Based Compensation Plans

2001 Stock Option Plan. Our 2001 Annual General Meeting of Shareholders approved resolutions authorizing the Supervisory Board, for a period of five years, to adopt and administer a stock option plan (in the form of five annual tranches) that provided for the granting to our managers and professionals of options to purchase up to a maximum of 60 million common shares (the "2001 Stock Option Plan"). The amount of options granted to the sole member of our Managing Board and President and CEO is determined by our Compensation Committee, upon delegation from our Supervisory Board and, since 2005, has been submitted for approval by our annual shareholders' meeting. The amount of stock options granted to other employees was made by our Compensation Committee on delegation by our Supervisory Board and following the recommendation of the sole member of our Managing Board and President and CEO. In addition, the Supervisory Board delegated to the sole member of our Managing Board and President and CEO the flexibility to grant, each year, up to a determined number of share awards to our employees pursuant to the 2001 Stock Option Plan in special cases or in connection with an acquisition.

In 2005, our shareholders at our Annual General Meeting of Shareholders approved a modification to our 2001 Stock Option Plan so as to provide the grant of up to four million unvested stock awards instead of stock options to our senior executives and certain of our key employees, as well as the grant of up to 100,000 unvested stock awards instead of stock options to our President and CEO. A total of 4,159,915 unvested stock awards have been granted pursuant to the modification of such plan, which includes unvested stock awards that were granted to employees who subsequently left our Company thereby forfeiting their awards. Certain forfeited unvested stock awards were subsequently awarded to other employees.

Pursuant to such approval, the Compensation Committee, upon delegation from our Supervisory Board, approved the conditions that apply to the vesting of such awards. These conditions related to both our financial performance, pursuant to certain defined criteria in 2005 and during the first quarter of 2006, and the continued presence of the beneficiaries of the unvested stock awards at the defined vesting dates in 2006, 2007 and 2008. Of the shares awarded, none remain outstanding and unvested as of December 31, 2013.

2001 Plan (Employees)
April 25, 2001
(outstanding grants)

	Tranche 10	Tranche 11	Tranche 12	Tranche 13	Tranche 14	Tranche 15	Tranche 16	Tranche 17
Date of the grant	14 Mar 03	3 Jun 03	24 Oct 03	2 Jan 04	26 Apr 04	1 Sep 04	31 Jan 05	17 Mar 05
Total Number of Shares which may be purchased	11,533,960	306,850	135,500	86,400	12,103,490	175,390	29,200	13,000
Vesting Date	14 Mar 05	3 Jun 05	24 Oct 05	2 Jan 06	26 Apr 06	1 Sep 06	31 Jan 07	17 Mar 07
Expiration Date	14 Mar 13	3 Jun 13	24 Oct 13	2 Jan 14	26 Apr 14	1 Sep 14	31 Jan 15	17 Mar 15
Exercise Price	$19.18	$22.83	$25.90	$27.21	$22.71	$17.08	$16.73	$17.31
Terms of Exercise	32% on 14 Mar 05	32% on 3 Jun 05	32% on 24 Oct 05	32% on 2 Jan 06	32% on 26 Apr 06	32% on 1 Sep 06	32% on 31 Jan 07	32% on 17 Mar 07
	32% on 14 Mar 06	32% on 3 Jun 06	32% on 24 Oct 06	32% on 2 Jan 07	32% on 26 Apr 07	32% on 1 Sep 07	32% on 31 Jan 08	32% on 17 Mar 08
	36% on 14 Mar 07	36% on 3 Jun 07	36% on 24 Oct 07	36% on 2 Jan 08	36% on 26 Apr 08	36% on 1 Sep 08	36% on 31 Jan 09	36% on 17 Mar 09
Number of Shares which may be acquired with Outstanding Options as of December 31, 2013	0	0	0	1,900	8,056,365	86,786	13,200	0
Held by Managing Board/Senior Management	0	0	0	0	408,200	0	0	0

2008 Unvested Share Award Plan — 2010 Allocation

In accordance with the Employee Unvested Share Award Plan, as approved by our 2008 Annual General Meeting of Shareholders and further approved by our 2010 Annual General Meeting of Shareholders, up to 6,516,460 unvested stock awards could be granted to our senior executives and certain of our key employees. Our shareholders at our annual shareholders' meeting in 2010 approved the grant of up to 100,000 unvested stock awards to our President and CEO. 6,566,375 unvested stock awards have been granted under such allocation as of December 31, 2013 out of which none remain outstanding and unvested as of December 31, 2013.

2008 Unvested Share Award Plan — 2011 Allocation

In accordance with the Employee Unvested Share Award Plan, as approved by our 2008 Annual General Meeting of Shareholders and further approved by our 2011 Annual General Meeting of Shareholders, up to 6,150,000 unvested stock awards could be granted to our senior executives and certain of our key employees. Our shareholders at our annual shareholders' meeting in 2011 approved the grant of up to 100,000 unvested stock awards to our President and CEO. 5,976,630 unvested stock awards have been granted under such allocation as of December 31, 2013, out of which none remain outstanding and unvested as of December 31, 2013.

2008 Unvested Share Award Plan — 2012 Allocation

In accordance with the Employee Unvested Share Award Plan, as approved by our 2008 Annual General Meeting of Shareholders and further approved by our 2012 Annual General Meeting of Shareholders, up to 6,500,000 unvested stock awards could be granted to our senior executives and certain of our key employees. Our shareholders at our annual shareholders' meeting in 2012 approved the grant of up to 100,000 unvested Stock Awards to our President and CEO. 6,520,765 unvested stock awards have been granted under such allocation as of December 31, 2013, out of which 3,152,539 remain outstanding but unvested as of December 31, 2013.

2013 Unvested Share Award Plan — 2013 Allocation

In accordance with the Employee Unvested Share Award Plan, as approved by our 2013 Annual General Meeting of Shareholders, up to 6,900,000 unvested stock awards could be granted to our senior executives and certain of our key employees. Our shareholders at our annual shareholders' meeting in 2013 approved the grant of up to 100,000 unvested stock awards to our President and CEO. 6,412,045 unvested stock awards have been granted under such allocation as of December 31, 2013, out of which 6,379,320 remain outstanding but unvested as of December 31, 2013.

Pursuant to such approval, the Compensation Committee, upon delegation from our Supervisory Board, has approved the conditions which shall apply (when applicable) to the vesting of such awards. These conditions relate both to our financial performance meeting certain defined criteria in 2013, and to the continued presence at the defined vesting dates in 2014, 2015 and 2016 of the beneficiaries of the unvested stock awards.

Furthermore, the Compensation Committee, on behalf of the entire Supervisory Board and with the approval of the entire Supervisory Board, approved the list of beneficiaries of the unvested stock awards and delegated to our President and Chief Executive Officer the right to grant certain additional unvested stock awards to key employees, in exceptional cases, provided that the total number of unvested stock awards granted to executives and key employees shall not exceed 6,900,000 for 2013.

Supervisory Board Stock Based Compensation Plans

2002 Stock Option Plan for members and professionals of our Supervisory Board. Our 2002 Annual General Meeting of Shareholders approved the adoption of a stock option plan for members and professionals of our Supervisory Board (the "2002 Stock Option Plan"). The 2002 Stock Option Plan provided for the grant of 12,000 options per year to each member of our Supervisory Board and 6,000 options per year to the professionals of our Supervisory Board. Pursuant to the 2002 Stock Option Plan, stock options for the subscription of 396,000 shares were granted to the members and professionals of our Supervisory Board, as shown in the table below:

2002 Stock Option Plan
(for Supervisory Board members and professionals)

Date of Annual Shareholders' Meeting	March 27, 2002		
	Tranche 1	Tranche 2	Tranche 3
Date of the grant	25 Apr 2002	14 Mar 2003	26 Apr 2004
Total Number of Shares which may be purchased	132,000	132,000	132,000
Vesting Date	25 May 2002	14 Apr 2003	26 May 2004
Expiration Date	25 Apr 2012	14 Mar 2013	26 Apr 2014
Exercise Price	$31.11	$19.18	$22.71
Terms of Exercise	All exercisable after 1 year	All exercisable after 1 year	All exercisable after 1 year
Number of Shares to be acquired with Outstanding Options as of December 31, 2013	0	0	132,000

At December 31, 2013, options to purchase a total of 132,000 common shares were outstanding under the 2002 Stock Option Plan.

2005, 2006 and 2007 Stock based Compensation for members and professionals of the Supervisory Board. Our 2005 Annual General Meeting of Shareholders approved the adoption of a three-year stock-based compensation plan for Supervisory Board members and professionals. The plan provided for the grant of a maximum number of 6,000 stock awards per year for each member of the Supervisory Board and 3,000 stock awards for each of the professionals of the Supervisory Board at an exercise price of €1.04 per share, corresponding to the nominal value of our share. Pursuant to our 2007 annual shareholders' meeting, the 2005 plan was modified and the maximum number was increased to 15,000 stock awards per year for each member of the Supervisory Board and 7,500 stock awards per year for each professional of the Supervisory Board for the remaining year of the plan.

In 2005, 66,000 stock awards were granted to the beneficiaries under such plan, which had completely vested as of December 31, 2008. In 2006, 66,000 stock awards were granted to the beneficiaries under such plan, which had all vested as of December 31, 2009. In 2007, 165,000 stock awards were granted to the beneficiaries under such plan, which had all vested as of December 31, 2010.

The table below reflects the grants to the Supervisory Board members and professionals under the 2005 Stock Based Compensation Plan as of December 31, 2013.

	2005	2006	2007
Total number of stock awards outstanding	31,115	30,000	60,000
Expiration date	25 Oct 2015	29 Apr 2016	28 Apr 2017

2008, 2009 and 2010 Stock based Compensation for members and professionals of the Supervisory Board. Our 2008 Annual General Meeting of Shareholders approved the adoption of a new three year stock based compensation plan for Supervisory Board members and professionals. This plan provides for the grant of a maximum number of 15,000 stock awards per year for each member of the Supervisory Board and 7,500 stock awards for each of the professionals of the Supervisory Board at an exercise price of €1.04 per share, corresponding to the nominal value of our shares. In 2008, 165,000 stock awards were granted to the beneficiaries under such plan, out of which 75,000 were outstanding as of December 31, 2013. In 2009, 165,000 stock awards were granted to the beneficiaries under such plan, out of which 75,000 were outstanding as of December 31, 2013. In 2010, 172,500 stock awards were granted to the beneficiaries under such plan, out of which 82,500 were outstanding as of December 31, 2013.

The table below reflects the grants to the Supervisory Board members and professionals under the 2008 Stock Based Compensation Plan as of December 31, 2013.

	2008	2009	2010
Total number of stock awards outstanding	75,000	75,000	82,500
Expiration date	16 May 2018	20 May 2019	27 May 2020

2011 and 2012 Stock-based Compensation for members and professionals of the Supervisory Board. Our 2011 Annual General Meeting of Shareholders approved the adoption of a new three year stock based compensation plan for Supervisory Board members and professionals. This plan provides for the grant of a maximum number of 15,000 stock awards per year for each member of the Supervisory Board and 7,500 stock awards for each of the professionals of the Supervisory Board at an exercise price of €1.04 per share, corresponding to the nominal value of our shares. In 2011, 172,500 stock awards were granted to the beneficiaries under such plan, out of which 117,500 were outstanding as of December 31, 2013. In 2012, 180,000 stock awards were granted to the beneficiaries under such plan, out of which 122,500 were outstanding as of December 31, 2013.

At our Annual General Meeting of Shareholders held on June 21, 2013, it was resolved to abolish and terminate the stock-based compensation for our Supervisory Board members and professionals as (previously) included in the three-year Stock-Based Compensation Plan for members and professionals of the Supervisory Board. No options were granted in 2013 to the Supervisory Board.

	2011	2012
Total number of stock awards outstanding	117,500	122,500
Expiration date	05 May 21	02 June 22

Employees

The tables below set forth the breakdown of employees by main category of activity and geographic area for the past three years. The 2012 and 2011 figures included the employees of the consolidated entities of ST-Ericsson JVS.

	At December 31,		
	2013	2012	2011
France	10,350	10,430	10,570
Italy	9,450	8,840	8,780
Rest of Europe	950	2,190	2,630
United States	1,040	1,280	1,310
Mediterranean (Malta, Morocco, Tunisia)	4,490	4,440	4,440
Asia	19,110	21,280	21,720
Total	45,390	48,460	49,450

	At December 31,		
	2013	2012	2011
Research and Development	8,970	11,490	11,940
Marketing and Sales	2,190	2,460	2,510
Manufacturing	29,550	29,450	29,810
Administration and General Services	2,220	2,520	2,580
Divisional Functions	2,460	2,540	2,610
Total	45,390	48,460	49,450

Our future success, particularly in a period of strong increased demand, will partly depend on our ability to continue to attract, retain and motivate highly qualified technical, marketing, engineering and management personnel. Unions are represented at several of our manufacturing facilities. We use temporary employees, if required, during production spikes and, in Europe, during summer vacations. We have not experienced any significant strikes or work stoppages in recent years. Management believes that our relations with employees are good.

Item 7. Major Shareholders and Related Party Transactions

Major Shareholders

The following table sets forth certain information with respect to the ownership of our issued common shares based on information available to us as of December 31, 2013:

	Common Shares Owned	
Shareholders	Number	%
ST Holding	250,704,754	27.53
Public	639,902,009	70.26
Treasury shares	20,096,542	2.21
Total	**910,703,305**	**100**

Our principal shareholders do not have different voting rights from those of our other shareholders.

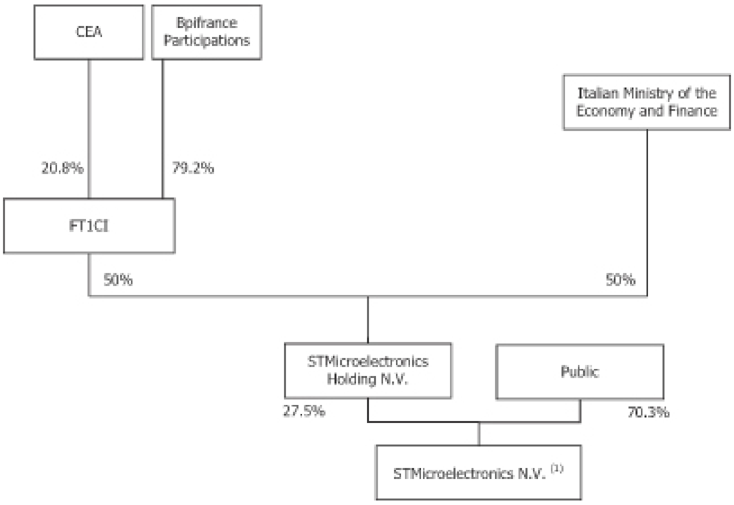
As of December 31, 2013, FT1CI (the “French Shareholder”), which is controlled by Bpifrance and CEA, and the Italian Ministry of the Economy and Finance (the “Italian Shareholder”), each directly held 50% in STMicroelectronics Holding N.V. (“ST Holding”). The indirect interest of the French Shareholder and the Italian Shareholder in us is split on a 50%-50% basis. Through a structured tracking stock system implemented in the Articles of Association of ST Holding, the French Shareholder and the Italian Shareholder each indirectly hold 125,352,377 of our common shares, representing approximately 13.7% of our issued share capital as of December 31, 2013. Any disposals or, as the case may be, acquisitions by ST Holding on behalf of the French Shareholder or the Italian Shareholder, will decrease or, as the case may be, increase the indirect interest of, respectively, the French Shareholder or the Italian Shareholder, in our issued share capital. FT1CI is a jointly held company established to control the interest of French shareholders in ST Holding. As of December 31, 2013, Bpifrance (as defined below) and CEA are the sole shareholders of FT1CI, holding respectively 79.2% and 20.8% of FT1CI’s share capital. Bpifrance is an investment fund 50% owned by Caisse des dépôts et consignations and 50% owned by the French State. On July 12, 2013, all of the shares of Fonds Stratégique d’Investissement (“FSI”) were transferred to BPI Groupe SA, a company co-controlled on a 50/50 basis by the French State (through the Etablissement Public Industriel et Commercial BPI Groupe (“EPIC BPI Groupe”)) and Caisse des Dépôts et Consignations, and FSI was renamed Bpifrance Participations (“Bpifrance”). This reorganization does not affect the shareholding in the Company. CEA is a French government funded technological research organization.

STMicroelectronics Holding II B.V. (“ST Holding II”) owned 90% of our shares before our initial public offering in 1994, and over time, gradually reduced its participation, going below the 66% threshold in 1997 and below the 50% threshold in 1999. ST Holding II merged with ST Holding, effective June 1, 2012 and ceased to exist. ST Holding may dispose of our shares as provided below in “— STH Shareholders’ Agreement —Disposals of our Common Shares”. Set forth below is a table of ST Holding’s holdings (as successor to ST Holding II) in us as of the end of 2013 and 2012 and ST Holding II’s holdings as of the end of 2011:

	Common Shares Owned	
	Number	%
December 31, 2013	250,704,754	27.5
December 31, 2012	250,704,754	27.5
December 31, 2011	250,704,754	27.5

Announcements about additional disposals of our shares by ST Holding on behalf of one or more of its indirect shareholders, Bpifrance, CEA, the Ministry of the Economy and Finance or FT1CI may come at any time, and we may not be informed beforehand. See “Item 3. Key Information — Risk Factors — Risks Related to Our Operations — Our major shareholders may sell our existing common shares or issue financial instruments exchangeable into our common shares at any time. In addition, substantial issuances by us of new common shares or convertible bonds could cause our common share price to drop significantly”.

The chart below illustrates the shareholding structure as of December 31, 2013:



(1) In addition to the 27.5% held by ST Holding and the 70.3% held by the Public, 2.2% are held by us as Treasury Shares.

Shareholders' Agreement

STH Shareholders' Agreement

We were formed in 1987 as a result of the decision by Thomson CSF (now called Thales) and STET (now called Telecom Italia S.p.A.) to combine their semiconductor businesses and to enter into a shareholders' agreement on April 30, 1987, which was amended on December 10, 2001, restated on March 17, 2004 and further amended on February 26, 2008. The February 26, 2008 amended and restated agreement (as amended, the "STH Shareholders' Agreement") supersedes and replaces all previous agreements. The current parties to the STH Shareholders' Agreement are Bpifrance, CEA and their joint company FT1CI (the "French Shareholder") and the Ministry of the Economy and Finance (the "Italian Shareholder").

Pursuant to the terms of the STH Shareholders' Agreement, the parties have agreed to certain corporate governance rights provided that they maintain certain levels of respective interests in ST Holding and in the Company's share capital. See further details below.

Merger of the Holding Companies

The French Shareholder and the Italian Shareholder merged the two holding companies (ST Holding and ST Holding II), effective June 1, 2012, in order to simplify the structure through which they own their interests in us. ST Holding II ceased to exist, while ST Holding continues to hold our common shares. The company that now holds or may hold our common shares in the future for indirect shareholders is referred to below as the "holding company".

Standstill

The STH Shareholders' Agreement contains a standstill provision that precludes any of the parties and the parties' affiliates from acquiring, directly or indirectly, any of our common shares or any instrument providing for the right to acquire any of our common shares other than through the holding company. The standstill is in effect for as long as such party holds our common shares through the holding company. The parties agreed to continue to hold their stakes in us at all times through the current holding structure of the holding company, subject to certain limited exceptions.

Corporate Governance

The STH Shareholders' Agreement provides for a balanced corporate governance between FT1CI and the Ministry of the Economy and Finance (FT1CI and the Ministry of the Economy and Finance are collectively defined as "STH Shareholders" and individually defined as "STH Shareholder") for the duration of the "Balance Period", despite actual differences in indirect economic interest in us. The "Balance Period" lasts as long as each STH Shareholder owns at any time a voting stake in ST Holding equal to at least 47.5% of the total voting stakes of ST Holding.

As of January 1, 2012, if any STH Shareholder falls under this threshold, it will not be able to restore the Balance Period by subsequently increasing its voting stake, and the Balance Period will terminate, unless the parties agree otherwise. The STH Shareholders' Agreement provides that during the Balance Period, ST Holding will have a managing board comprised of two members (one member designated by FT1CI, and one designated by the Ministry of the Economy and Finance) and a supervisory board comprised of six members (three designated by FT1CI and three designated by the Ministry of the Economy and Finance). The chairman of the supervisory board of the holding company shall be designated for a three-year term by one shareholder (with the other shareholder entitled to designate the Vice-Chairman), such designation to alternate between the Ministry of the Economy and Finance on the one hand and FT1CI on the other hand. The current Chairman of the Supervisory Board of ST Holding is Mr. Alain Dutheil and the Vice-Chairman is Mr. Luciano Acciari.

As regards STMicroelectronics N.V., the STH Shareholders' Agreement provides that during the Balance Period: (i) each of the STH Shareholders (FT1CI, on the one hand, and the Ministry of the Economy and Finance, on the other hand) shall have the right to insert on a list prepared for proposal by the holding company to our annual shareholders meeting the same number of members for election to the Supervisory Board, and the holding company shall vote in favor of such members; (ii) the STH Shareholders will cause the holding company to submit to our annual shareholders meeting and to vote in favor of a common proposal for the appointment of the Managing Board; and (iii) any decision relating to the voting rights of the holding company in us shall require the unanimous approval of the holding company shareholders and shall be submitted by the holding company to our annual shareholders meeting. The STH Shareholders Agreement also provides that the Chairman of our Supervisory Board will be designated upon proposal of an STH Shareholder for a three-year term, and the Vice-Chairman of our Supervisory Board will be designated upon proposal of the other STH Shareholder for the same period, and vice-versa for the following three-year term. The STH Shareholders further agreed that the STH Shareholder proposing the appointment of the Chairman be entitled to propose the appointment of the Assistant Secretary of our Supervisory Board, and the STH Shareholder proposing the appointment of the Vice-Chairman be entitled to propose the appointment of the Secretary of our Supervisory Board. Finally, each STH Shareholder is entitled to appoint a Financial Controller to the Supervisory Board. Our Secretary, Assistant Secretary and two Financial Controllers are referred to as professionals (not members) of our Supervisory Board.

During the Balance Period, any other decision, to the extent that a resolution of the holding company is required, must be pursuant to the unanimous approval of the shareholders, including but not limited to the following: (i) the definition of the role and structure of our Managing Board and Supervisory Board, and those of the holding company; (ii) the powers of the Chairman and the Vice-Chairman of our Supervisory Board, and that of the holding company; (iii) information by the holding company's managing board and supervisory board, and those of us; (iv) treatment of confidential information; (v) appointment of any additional members of our Managing Board and that of the holding company; (vi) remuneration of the members of our Managing Board and those of the holding company; (vii) internal audit of STMicroelectronics N.V. and of the holding company; (viii) industrial and commercial relationships between STMicroelectronics N.V. and the Ministry of the Economy and Finance or STMicroelectronics N.V. and either or both FT1CI shareholders, or any of their affiliates; and (ix) any of the decisions listed in article 16.1 of our Articles of Association including our budget and pluri-annual plans.

In addition, the following resolutions, to the extent that a resolution of the holding company is required, must be resolved upon by a shareholders' resolution of the holding company, which shall require the unanimous approval of the STH Shareholders: (i) any alteration in the holding company's articles of association; (ii) any issue, acquisition or disposal by the holding company of its shares or change in share rights; (iii) any alteration in our authorized share capital or issue by us of new shares and/or of any financial instrument giving rights to subscribe for our common shares; any acquisition or disposal by the holding company of our shares and/or any right to subscribe for our common shares; any modification to the rights attached to our common shares; any merger, acquisition or joint venture agreement to which we are or are proposed to be a party; and any other items on the agenda of our general shareholders' meeting; (iv) the liquidation or dissolution of the holding company; (v) any legal merger, legal de-merger, acquisition or joint venture agreement to which the holding company is proposed to be a party; and (vi) the adoption or approval of our annual accounts or those of the holding company or a resolution concerning a dividend distribution by us.

At the end of the Balance Period (i.e., once a shareholder's voting stake in ST Holding has decreased under the 47.5% threshold (such STH Shareholder being thereafter referred to as "minority shareholder" and the other one being referred to as "majority shareholder")), the members of our Supervisory Board and those of the holding company designated by the minority shareholder of the holding company will immediately resign upon request of the holding company's majority shareholder, subject to the rights described in the following paragraph.

After the end of the Balance Period, unanimous approval by the shareholders of the holding company remains required to approve:

(i) As long as any of the STH Shareholders indirectly owns at least the lesser of 3% of our issued and outstanding share capital or 10% of the STH Shareholders' aggregate stake in us at such time, with respect to the holding company, any changes to the articles of association, any issue, acquisition or disposal of shares in the holding company or change in the rights of its shares, its liquidation or dissolution and any legal merger, de-merger, acquisition or joint venture agreement to which the holding company is proposed to be a party.

(ii) As long as any of the STH Shareholders indirectly owns at least 33% of the STH Shareholders' aggregate stake in us, certain changes to our articles of association (including any alteration in our authorized share capital, or any issue of share capital and/or financial instrument giving the right to subscribe for our common shares, changes to the rights attached to our shares, changes to the preemptive rights, issues relating to the form, rights and transfer mechanics of the shares, the composition and operation of the Managing and Supervisory Boards, matters subject to the Supervisory Board's approval, the Supervisory Board's voting procedures, extraordinary meetings of shareholders and quorums for voting at shareholders meetings).

(iii) Any decision to vote our shares held by the holding company at any general meeting of our shareholders with respect to any substantial and material merger decision. In the event of a failure by the STH Shareholders to reach a common decision on the relevant merger proposal, our shares attributable to the minority shareholder and held by the holding company will be counted as present for purposes of a quorum of shareholders at one of our shareholders meetings, but will not be voted (i.e., will be abstained from the vote in a way that they will not be counted as a negative vote or as a positive vote).

(iv) In addition, the minority shareholder will have the right to designate at least one member of the list of candidates for our Supervisory Board to be proposed by the holding company if that shareholder indirectly owns at least 3% of our total issued and outstanding share capital, with the majority STH Shareholder retaining the right to appoint that number of members to our Supervisory Board that is at least proportional to such majority shareholder's voting stake.

Finally, at the end of the Balance Period, the unanimous approval required for other decisions taken at the STMicroelectronics N.V. level shall only be compulsory to the extent possible, taking into account the actual power attached to the direct and indirect shareholding together held by the STH Shareholders in our company.

Disposals of our Common Shares

The STH Shareholders' Agreement provides that each STH Shareholder retains the right to cause the holding company to dispose of its stake in us at its sole discretion, provided it is pursuant to either (i) the issuance of financial instruments, (ii) an equity swap, (iii) a structured finance deal or (iv) a straight sale. The holding company may enter into escrow arrangements with STH Shareholders with respect to our shares, whether this be pursuant to exchangeable notes, securities lending or other financial instruments. STH Shareholders that dispose of our shares through the issuance of exchangeable instruments, an equity swap or a structured finance deal maintain the voting rights of the underlying shares in their ST Holding voting stake provided that such rights remain freely and continuously held by the holding company as though the holding company were still holding the full ownership of the shares.

As long as any of the parties to the STH Shareholders' Agreement has a direct or indirect interest in us, except in the case of a public offer, no sales by a party may be made of any of our shares or of FT1CI, ST Holding or to any of our top ten competitors, or any company that controls such competitor.

Change of Control Provision

The STH Shareholders' Agreement provides for tag-along rights, preemptive rights, and provisions with respect to a change of control of any of the shareholders or any controlling shareholder of FT1CI, on the one hand, and the Ministry of the Economy and Finance, on the other hand. The shareholders may transfer shares of the holding company or FT1CI to any of the shareholders' affiliates, which would include the Italian state or the French state with respect to entities controlled by a state. The shareholders and their ultimate shareholders will be prohibited from launching any takeover process on any of the other shareholders.

Deadlock

In the event of a disagreement that cannot be resolved between the parties as to the conduct of the business and actions contemplated by the STH Shareholders' Agreement, each party has the right to offer its interest in ST Holding to the other, which then has the right to acquire, or to have a third party acquire, such interest. If neither party agrees to acquire or have acquired the other party's interest, then together the parties are obligated to try to find a third party to acquire their collective interests, or such part thereof as is suitable to resolve the deadlock.

Duration

The STH Shareholders' Agreement will remain in force as long as the Ministry of the Economy and Finance, on the one hand, and any of Bpifrance, FT1CI or CEA, on the other hand, are shareholders of the holding company.

Statutory Considerations

As is the case with other companies controlled by the French government, the French government may appoint a Commissaire du Gouvernement and a Contrôleur d'Etat for FT1CI. Pursuant to Decree No. 94-214, dated March 10, 1994, these government representatives have the right (i) to attend any board meeting of FT1CI, and (ii) to veto any board resolution or any decision of the president of FT1CI within ten days of such board meeting (or, if they have not attended the meeting, within ten days of the receipt of the board minutes or the notification of such president's decision); such veto lapses if not confirmed within one month by the Ministry of the Economy or the Ministry of the Industry. FT1CI is subject to certain points of the Decree of August 9, 1953 pursuant to which the Ministry of the Economy and any other relevant ministries have the authority to approve decisions of FT1CI relating to budgets or forecasts of revenues, operating expenses and capital expenditures. The effect of these provisions may be that the decisions taken by us and our subsidiaries that, by the terms of the STH Shareholders' Agreement, require prior approval by FT1CI, may be adversely affected by these veto rights under French law.

Preference Shares

On November 22, 2006, our Supervisory Board decided to authorize us to enter into an option agreement with an independent foundation, Stichting Continuïteit ST (the "Stichting"). This is a common practice used by a majority of publicly traded Dutch companies. Our Managing Board and our Supervisory Board, along with the board of the Stichting, have declared that they are jointly of the opinion that the Stichting is legally independent of our Company and our major shareholders. Our Supervisory Board approved this option agreement, entered into on January 22, 2007, with a duration of ten years, to reflect changes in Dutch legal requirements, not in response to any hostile takeover attempt. It provides for the issuance of up to a maximum of 540,000,000 preference shares.

The Stichting would have the option, which it shall exercise in its sole discretion, to take up the preference shares. The preference shares would be issuable in the event of actions considered hostile by our Managing Board and Supervisory Board, such as a creeping acquisition (in such case up to 30% minus one share of our issued and outstanding share capital) or an offer on our common shares, which are unsupported by our Managing Board and Supervisory Board and which the board of the Stichting determines would be contrary to the interests of our Company, our shareholders and our other stakeholders. If the Stichting exercises its call option and acquires preference shares, it must pay at least 25% of the par value of such preference shares. The preference shares may remain outstanding for no longer than two years.

No preference shares have been issued to date. The effect of the preference shares may be to deter potential acquirers from effecting an unsolicited acquisition resulting in a change of control as well as to create a level-playing field in the event actions which are considered hostile by our Managing Board and Supervisory Board, as described above, occur and which the board of the Stichting determines to be contrary to our interests and our shareholders and other stakeholders. In addition, any issuance of additional capital within the limits of our authorized share capital, as approved by our shareholders, is subject to approval by our Supervisory Board, other than pursuant to an exercise of the call option granted to the Stichting.

Related Party Transactions

One of the members of our Supervisory Board is a member of the Board of Directors of Technicolor and one of the members of our Supervisory Board is a member of the Supervisory Board of BESI. A former member of our Supervisory Board, whose mandate ended in June 2013, is a director of Oracle Corporation ("Oracle") and Flextronics International. A former member of our senior management, who resigned effective March 31, 2013, is a member of the Board of Directors of Soitec and Adecco. Adecco, as well as Oracle's subsidiary PeopleSoft, supply certain services to our Company. We have also conducted transactions with Soitec and BESI as well as with Technicolor and Flextronics. From time to time, we may enter into transactions with or invest in subsidiaries of certain of our significant shareholders, former shareholders or other companies in which they invest (including but not limited to: Adecco, Areva, Altis, MicroOLED and Orange). Each of the aforementioned arrangements and transactions is negotiated without the personal involvement of our Supervisory Board members or, where applicable, the senior managers concerned, and we believe that they are made in line with market practices and conditions.

See Note 24 to Our Consolidated Financial Statements for transactions with significant shareholders, their affiliates and other related parties, which also include transactions between us and our equity-method investments.

Item 8. Financial Information

Financial Statements

Please see "Item 18. Financial Statements" for a list of the financial statements filed with this Form 20-F.

Legal Proceedings

As is the case with many companies in the semiconductor industry, we have from time to time received, and may in the future receive, communications from other semiconductor companies or third parties alleging possible infringement of third party patents or other third party intellectual property rights. In addition, from time to time, we enter into discussions regarding broad patent cross-license arrangements with other industry participants and there can be no assurance that such discussions will be brought to a successful conclusion and result in the intended agreement. Furthermore, we may become involved in costly litigation brought against us regarding patents, copyrights, trademarks, trade secrets or mask works. In the event that the outcome of such IP litigation would be unfavorable to us, we may be required to take a license for third party patents or other IP rights upon economically unfavorable terms and conditions, and possibly pay damages for prior use, and/or face an injunction, all of which singly or in the aggregate could have a material adverse effect on our results of operations and ability to compete. See "Item 3. Key Information — Risk Factors — Risks Related to Our Operations — We depend on patents to protect our rights to our technology and may face claims of infringing the IP rights of others" included in this Form 20-F, which may be updated from time to time in our public filings. We are also party to certain disputes which are not related to patents or other IP rights.

We record a provision when, based on our best estimate, we consider it probable that a liability has been incurred and when the amount of the probable loss can be reasonably estimated. As of December 31, 2013, provisions for estimated probable losses with respect to legal proceedings were not considered material. We regularly evaluate losses and claims to determine whether they need to be adjusted based on the most current information available to us and using our best judgment. There can be no assurance that our recorded reserves will be sufficient to cover the extent of our potential liabilities. Legal costs associated with claims are expensed as incurred.

We are a party to legal proceedings with Tessera, Inc. ("Tessera")

In 2006, Tessera initiated a patent infringement lawsuit against us and numerous other semiconductor manufacturers in the U.S. District Court for the Northern District of California. Tessera claims that our ball grid array packages infringe certain patents owned by Tessera, and that we breached a 1997 license agreement by failing to pay royalties to Tessera on sales of products in certain ball grid array packages. Tessera then filed a complaint in 2007 with the U.S. International Trade Commission in Washington, D.C. ("ITC") against us and numerous other parties. During the ITC proceedings, the District Court action was stayed. On May 20, 2009, the ITC issued a limited exclusion order as well as a cease and desist order, both of which were terminated when the Tessera patents expired in September 2010. The U.S. Court of Appeals for the Federal Circuit subsequently affirmed the ITC's decision and on November 28, 2011 the U.S. Supreme Court denied the defendants' petition for review, and the ITC decision became final. In January 2012, the District Court proceedings were revived in California. The District Court has appointed a special master to advise it on technical issues. Trial is scheduled for August 25, 2014. In May 2013, Tessera served its opening expert's report on damages which opines that Tessera is entitled to $181 million in damages (including interest) based on our sales of allegedly infringing products from 2000 through 2010. Our opening expert's report on damages opines that our damages should be more in the range of $5 million to $8 million if an adverse judgment were to be entered against us.

We were a party to legal proceedings with Rambus Inc. ("Rambus")

On December 1, 2010, Rambus filed a complaint with the ITC against us and numerous other parties, asserting that we engaged in unfair trade practices by importing certain semiconductor chips that include memory controllers and/or certain peripheral interface technologies such as SerDes, PCI Express, SATA and SAS that allegedly infringe certain patents owned by Rambus. The complaint sought an exclusion order to bar importation into the United States of all accused semiconductor chips that infringe any claim of the asserted patents, as well as products of certain party customers incorporating the same. On July 25, 2012, the ITC elected to terminate the ITC investigation with a finding of no violation of section 337 of the Tariff Act of 1930. On September 25, 2012, Rambus filed a notice of appeal with the U.S. Court of Appeals for the Federal Circuit. Also on December 1, 2010, Rambus filed a lawsuit against us and other co-defendants in the U.S. District Court for the Northern District of California alleging infringement of nineteen Rambus patents. On June 17, 2013, we and Rambus announced a comprehensive settlement and license agreement pursuant to which all pending litigation between the parties was resolved.

We and our subsidiaries are also involved in other legal proceedings, claims and litigation arising in the ordinary course of business.

All pending claims and litigation proceedings involve complex questions of fact and law and may require the expenditure of significant funds and the diversion of other resources to prosecute and defend. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible, including the risk of an injunction. The resolution of intellectual property litigation may require us to pay damages for past infringement or to obtain a license under the other party's intellectual property rights that could require one-time license fees or ongoing royalties, which could adversely impact our product gross margins in future periods, or could prevent us from manufacturing or selling some of our products or limit or restrict the focus of employees involved in such litigation with regard to the work they normally perform for us. From time to time we may enter into confidential discussions regarding the potential settlement of pending litigation or other proceedings; however, there can be no assurance that any such discussions will occur or will result in a settlement. The settlement of any pending litigation or other proceeding could require us to incur substantial settlement payments and costs. Furthermore, the settlement of any intellectual property proceeding may require us to grant a license to certain of our intellectual property rights to the other party under a cross-license agreement. If any of those events were to occur, our business, financial condition and results of operations could be materially and adversely affected. In addition, from time to time we are approached by holders of intellectual property to engage in discussions about our obtaining licenses to their intellectual property. We will disclose the nature of any such discussion if we believe that (i) it is probable an intellectual property holder will assert a claim of infringement, (ii) there is a reasonable possibility the outcome (assuming assertion) will be unfavorable, and (iii) the resulting liability would be material to our financial condition. We also constantly review the merits of litigation and claims which we are facing and decide to make an accrual when we are able to reasonably determine that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. To date, we have not determined on such basis that any of the litigation or claims which we are facing gives rise to a probable material liability, singly or in the aggregate.

Risk Management and Insurance

We cover our industrial and business risks through insurance policies and programs with leading insurance carriers with at least investment grade ratings, to the extent reasonably permissible by the insurance market which does not provide insurance coverage for certain risks and imposes certain limits, terms and conditions on coverage that it does provide.

Risks may be covered either through local policies or through corporate policies negotiated on a worldwide level for the ST Group of Companies. Corporate insurance policies and programs are negotiated when the risks are recurrent in several of our affiliated companies.

Currently we have four corporate insurance policies and programs covering the following risks:

- Property damage and business interruption;

- General liability and product liability;
- Directors and officers liability; and
- Transportation risks.

Our insurance policies generally cover a twelve-month period although may be subscribed for a longer period if conditions for a longer term arrangement are deemed beneficial to us. Such policies are subject to certain terms and conditions, exclusions and limitations, generally in line with prevailing conditions, exclusions and limitations, in the insurance market. Pursuant to such conditions, risks such as terrorism, earthquake, fire, floods, consequential damages and loss of production, may not be fully insured and we may not, in the event of a claim under a policy, receive an indemnification from our insurers commensurate with the full amount of the damage we have incurred. Furthermore, our product liability insurance covers physical and direct damages, which may be caused by our products; however, immaterial, non-consequential damages resulting from failure to deliver or delivery of defective products might not be covered because such risks are considered to occur in the ordinary course of business and might not be insured. We may decide to subscribe for excess coverage in addition to the coverage provided by our standard policies. If we suffer damage or incur a claim, which is not covered by one of our corporate insurance policies, this may have a material adverse effect on our results of operations.

Risk and fire engineering site assessments are performed, on an annual basis, through our leading property insurer’s professional fire and risk engineers in the field of property damage and business interruption in our production sites, to assess potential losses and actual risk exposures, including natural catastrophes. Then, such assessments are usually provided to insurers, co-insurers and re-insurers underwriters to subscribe our risks. We do not own or operate any insurance captive companies, which acts as insurer for our own risks, although we may consider such an option in the future.

The company, under the direction of our CEO and supervision of the Audit Committee of our Supervisory Board, has implemented a corporate Enterprise Risk Management (“ERM”) process, which is led by our Chief Audit and Risk Executive. The corporate top down risk map is updated on an annual basis and organizations’ risk owners are appointed to ensure the development of the bottom-up risk mapping, as well as the implementation and monitoring of risk mitigation action plans both at corporate and organizations levels.

Reporting Obligations in IFRS

We are incorporated in The Netherlands and our shares are listed on Euronext Paris and Borsa Italiana. Consequently, we are subject to an EU regulation issued on September 29, 2003 requiring us to report our results of operations and Consolidated Financial Statements using IFRS. As from January 1, 2009 we are also required to prepare a semi-annual set of accounts using IFRS reporting standards.

We use U.S. GAAP as our primary set of reporting standards, as U.S. GAAP has been our reporting standard since our creation in 1987. Until the SEC adopted rules allowing foreign private issuers to file financial statements prepared in accordance with IFRS without reconciliation to U.S. GAAP, U.S. GAAP was the sole admitted reporting standard for companies like us whose shares are listed on the NYSE.

The obligation to report our Consolidated Financial Statements under IFRS requires us to prepare our results of operations using two different sets of reporting standards, U.S. GAAP and IFRS, which are currently not consistent. Such dual reporting could materially increase the complexity of our investor communications.

Dividend Policy

We formulated a revised dividend policy which was submitted for discussion at our Annual General Meeting of Shareholders held in Amsterdam on June 21, 2013. As a result, we distribute a dividend on a quarterly basis based on a semi-annual decision which is based on a proposal of our Managing Board and adopted by either our Supervisory Board or our meeting of shareholders proposed by our Supervisory Board.

Our dividend policy reads as follows: we seek to use our available cash in order to develop and enhance our position in a competitive semiconductor market while at the same time managing our cash resources to reward our shareholders for their investment and trust in us. Based on our results, projected capital requirements as well as business conditions and prospects, our Managing Board proposes on a semi-annual basis to our Supervisory Board, whenever deemed possible and desirable in line with our objectives and financial situation, the distribution of a quarterly cash dividend, if any. Our Supervisory Board, upon the proposal of our Managing Board, decides or proposes to the meeting of shareholders on a semi-annual basis, in accordance with this dividend policy, which portion of the profits or distributable reserves shall not be retained in reserves to fund future growth or for other purposes and makes a proposal concerning the amount, if any, of the quarterly cash dividend.

Based on our annual results, projected capital requirements as well as business conditions and prospects, the Managing Board proposes twice a year to the Supervisory Board the allocation of our earnings involving, whenever deemed possible and desirable in line with our objectives and financial situation, the distribution of a cash dividend.

See "Item 10. Additional Information — Memorandum and Articles of Association — Articles of Association — Distribution of Profits (Articles 37, 38, 39 and 40)".

In the past five years, we have paid the following dividends:

- On December 2, 2013, our shareholders adopted the payment of a semi-annual cash dividend of $0.10 per share in the fourth quarter of 2013 and first quarter of 2014, paid in December 2013 and to be paid in March 2014, respectively.
- On June 21, 2013, our shareholders adopted the payment of a semi-annual cash dividend of $0.10 per share in the second quarter and third quarter of 2013, paid in June and September of 2013, respectively.
- On May 30, 2012, our shareholders adopted the payment of an annual cash dividend with respect to the year ended December 31, 2011 of $0.40 per share paid in four equal installments.
- On May 3, 2011, our shareholders adopted the payment of an annual cash dividend with respect to the year ended December 31, 2010 of $0.40 per share paid in four equal installments.
- On May 25, 2010, our shareholders adopted the payment of an annual cash dividend with respect to the year ended December 31, 2009 of $0.28 per share paid in four equal installments.
- On May 20, 2009, our shareholders adopted the payment of an annual cash dividend with respect to the year ended December 31, 2008 of $0.12 per share paid in four equal installments.

Future dividends will depend on our accumulated profits, our capacity to generate cash flow, our financial situation, the general economic situation and prospects and any other factors that the Supervisory Board, upon the recommendation of our Managing Board, shall deem important.

Item 9. Listing

Since 1994, our common shares have been traded on the NYSE under the symbol "STM" and CUSIP #861012102 and listed on the compartment A (large capitalizations) of Euronext Paris under the ISIN Code NL0000226223. On June 5, 1998, our common shares began trading on the Borsa Italiana.

On September 13, 2013, the NASDAQ OMX Group, Inc. announced the results of the annual re-ranking of the PHLX Semiconductor Sector Index ("SOX"). Effective September 23, 2013, ST was removed from the index. ST had been a member of the SOX since June 23, 2003. The SOX is a widely followed, modified capitalization-weighted index composed of companies primarily involved in the design, distribution, manufacture and sale of semiconductors in the U.S. markets.

On December 5, 2013, the Conseil Scientifique, an independent group of experts responsible for setting the rules and the periodical selection of the CAC 40 Index, announced the results of the annual re-ranking of the CAC 40 Index. Effective December 23, 2013, ST was removed from the CAC 40 and subsequently entered the CAC Next 20 Index. ST had been a member of the CAC 40 since November 12, 1997. The CAC 40 Index is the main benchmark for Euronext Paris and contains 40 stocks selected among the top 100 market capitalization and the most active stocks listed on Euronext Paris.

Since March 18, 2002, our common shares have been included in the FTSE MIB Index (formerly the S&P/MIB and MIB 30 Index, respectively). The FTSE MIB Index measures the performance of 40 Italian equities and seeks to replicate the broad sector weights of the Italian stock market. The Index is derived from the universe of stocks trading on the Borsa Italiana main equity market. Each stock is analyzed for size and liquidity, and the overall Index has appropriate sector representation. The FTSE MIB Index is market cap-weighted after adjusting constituents for float. Since January 29, 2010, our common shares have been included in the FTSE MIB Dividend Index, the index which represents the cumulative value of ordinary gross dividends paid by the individual constituents of the underlying FTSE MIB Index, expressed in terms of index points.

Our common shares could be removed from the CAC Next 20 and the FTSE MIB Indices at any time, and the exclusion or the announcement thereof could cause the market price of our common shares to drop significantly.

The following table sets forth, for the periods indicated, the high and low closing prices of our common shares on the NYSE, on the Euronext Paris and the Borsa Italiana.

Calendar Period	New York Stock Exchange Price Ranges		Euronext Paris Price Ranges		Borsa Italiana (Milan) Price Ranges	
	High (US$)	Low (US$)	High (€)	Low (€)	High (€)	Low (€)
Annual Information for the Past Five Years						
2009	10.28	3.73	7.02	2.97	7.03	2.97
2010	10.73	6.51	8.08	5.16	8.09	5.15
2011	13.53	5.34	9.73	3.96	9.73	3.96
2012	8.60	4.51	6.46	3.64	6.46	3.62
2013	10.05	7.11	7.69	5.24	7.69	5.26
Quarterly Information for the Past Two Years 2012						
First quarter	8.60	6.03	6.46	4.59	6.46	4.59
Second quarter	8.15	4.61	6.19	3.64	6.19	3.62
Third quarter	6.77	4.51	5.17	3.68	5.17	3.67
Fourth quarter	7.25	5.31	5.45	4.17	5.45	4.18
2013						
First quarter	9.09	7.22	6.70	5.46	6.78	5.46
Second quarter	10.05	7.11	7.69	5.51	7.69	5.51
Third quarter	9.93	7.92	7.62	6.04	7.62	6.02
Fourth quarter	9.23	7.20	6.95	5.24	6.96	5.26
Monthly Information for the Past Six Months 2013						
September	9.60	8.02	7.15	6.10	7.14	6.10
October	9.23	7.56	6.95	5.51	6.96	5.51
November	8.05	7.20	5.96	5.37	5.96	5.37
December	8.04	7.20	5.85	5.24	5.86	5.26
2014						
January	8.29	7.35	6.12	5.44	6.13	5.45
February (as of February 11, 2013)	8.45	7.89	6.22	5.82	6.22	5.82

Source: Bloomberg

Of the 890,606,763 common shares outstanding as of December 31, 2013, 41,678,079, or 4.7%, were registered in the common share registry maintained on our behalf in New York and 598,223,930, or 67.2%, of our common shares outstanding were listed on Euroclear France and traded on Euronext Paris and on the Borsa Italiana in Milan.

Market Information

Since 1994, our shares have been traded on the NYSE. In addition, our shares have been listed on the Borsa Italiana since 1998 and on the Euronext Paris since 2001.

Item 10. Additional Information

Memorandum and Articles of Association

Applicable non-U.S. Regulations

Applicable Dutch Legislation

We were incorporated under the laws of The Netherlands by deed of May 21, 1987, and we are governed by Book 2 of the Dutch Civil Code. Set forth below is a summary of certain provisions of our Articles of Association and relevant Dutch corporate law. The summary below does not purport to be complete and is qualified in its entirety by reference to our Articles of Association and relevant Dutch corporate law.

The summary below sets forth our current Articles of Association as most recently amended on December 2, 2013.

We are subject to various provisions of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*) (the "FMSA") and, in particular, to the provisions summarized below.

Unless an exemption or an exception applies, we are subject to (i) a prohibition from offering securities in The Netherlands or have securities admitted to trading on a regulated market situated or operating in The Netherlands without the publication of a prospectus, which has been approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) ("AFM") or by a supervisory authority of another European Union ("EU") Member State or State, not being an EU Member State, that is party to the European Economic Area ("EEA") Agreement ("Member State") (and the same prohibition applies for such offers in other jurisdictions of the EEA); (ii) a prohibition of proceeding with any transaction in our financial instruments admitted to trading on a regulated market in the EEA or in any other financial instrument the value of which depends in part on these instruments, in the event where we would possess inside information; and (iii) certain restrictions (related to market manipulation, market abuse and insider trading) in repurchasing our shares. Also, we are required to notify the AFM of all our inside information press releases simultaneously with the publication of such press releases. Furthermore, we are required to inform the AFM immediately if our issued and outstanding share capital or voting rights change by 1% or more since our previous notification. Other changes in our share capital or voting rights need to be notified periodically. Also, the sole member of our Managing Board and the members of our Supervisory Board (unless they have already been notified pursuant to the requirements described below in "— Shareholders' Meetings, Attendance at Shareholders' Meetings and Voting Rights — Disclosure of holdings and capital interest under Dutch Law"), certain of their relatives, entities closely related with them and (under certain circumstances) members of senior management must notify the AFM of all transactions conducted or effected on their own account relating to our shares admitted to trading on a regulated market in the EEA or in any financial instrument the value of which depends in part on the value of these shares. The AFM keeps a public register of all notifications made pursuant to the FMSA. The provisions of the FMSA regarding statements of holdings in our share capital and voting rights are described below in "—Shareholders' Meetings, Attendance at Shareholders' Meetings and Voting Rights — Disclosure of holdings and capital interest under Dutch Law".

On October 28, 2007, the Dutch legislation implementing Directive 2004/25/EC on takeover bids (the "Takeover Directive") entered into force. This legislation requires a shareholder who (individually or jointly) obtains control to launch an offer to all of our other shareholders. Such control is deemed present if a (legal) person is able to exercise, alone or acting in concert, at least 30% of the voting rights in our shareholders' meeting. The acquisition of control does not require an act of the person who obtains control (e.g., if we repurchase shares as a consequence of which the relative stake of a major shareholder increases (and may result in control having been obtained)).

In the event control is acquired, whether or not by acting in concert, two options exist: (i) either a mandatory offer is launched or (ii) within 30 days the relevant stake is decreased below the 30% voting rights threshold, provided the voting rights have not been exercised during this period and our shares are not sold to a controlling shareholder. The Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer*) may extend this period by an additional 60 days.

The Dutch legislation contains a substantial number of exemptions to the obligation to launch a (mandatory) offer. One of those exemptions is that Stichting Continuïteit ST, an independent foundation, is allowed to cross the 30% voting rights threshold when obtaining our preference shares after the announcement of a public offer, but only for a maximum period of two years.

As of January 1, 2013, certain Dutch statutory provisions have been introduced limiting the number of supervisory positions that members of our Managing and Supervisory Boards may hold.

A member of our Supervisory Board may only be appointed as such if he/she does not hold more than four supervisory positions at other so-called "large Dutch entities". The position of chairman equals two positions. A member of our Managing Board may only be appointed as such if he/she does not hold more than two supervisory positions at other large Dutch entities and does not hold the position of chairman of the supervisory board or one-tier board at such other entity. The term "supervisory position" includes the position of supervisory director, non-executive director or member of a supervisory board that has been set up pursuant to the articles of association. Supervisory positions at several entities belonging to the same group constitute one position.

Supervisory positions at non-Dutch entities are not taken into account. An appointment by the Enterprise Chamber of the Amsterdam Court of Appeal as part of corporate inquiry proceedings is not taken into account.

As of January 1, 2013, statutory provisions have been introduced that require a balanced participation by men and women on our Managing Board and Supervisory Board. Where seats on a managing board and supervisory board are to be divided among individuals, balanced participation is deemed to exist if at least 30% of the seats are held by men and at least 30% are held by women.

If we do not achieve the requisite gender balance, we are required to explain this in our statutory IFRS Annual Report. Since its creation in 1987, our Managing Board has always been comprised of a sole member as result of which gender balance cannot be reached. Currently, our Supervisory Board comprises nine members of which 2 are female and 7 are male.

As of January 1, 2014, Dutch statutory provisions have been introduced to adjust and reclaim bonuses of members of a managing board of (among others) Dutch public limited liability companies, including us. Bonuses that have been granted (but not yet paid) to our sole member of the Managing Board can be adjusted in retrospect to an appropriate amount if such bonus under the circumstances would be inappropriate according to principles of reasonableness and fairness. Also, bonuses that have been granted (and paid) to the sole member of our Managing Board can be reclaimed in retrospect in whole or in part if the bonus was granted on the basis of incorrect information regarding the achievement of certain targets on which the bonus was based or regarding circumstances subject to which the bonus was granted. If and when any remuneration has been adjusted or reclaimed, we will be obliged to include a statement in the explanation to our statutory IFRS Annual Accounts regarding the amount of the adjustment or reclamation of such bonus.

Furthermore, these new statutory provisions prescribe that in the event of (a) a public offer on our common shares, (b) a proposal to approve a Managing Board resolution regarding a significant change in the identity or nature of us or our enterprise (as further described below under "*Authority of our Shareholders' Meeting* (*Articles 12, 16, 19, 25, 28, 32 and 41*)", and (c) a proposal for a legal merger or legal demerger, we are obliged to set off the amount of the increase in value of shares, depositary receipts or rights to claim or acquire shares that were granted by way of remuneration to the sole member of our Managing Board with his remuneration in any of the events described above.

Finally, these new statutory provisions prescribe that at the shareholders' meeting in which the statutory IFRS Annual Accounts are adopted, the implementation of the compensation policy during the past financial year must be accounted for.

Applicable French Legislation

As our registered offices are based in The Netherlands, the French *Autorité des marchés financiers* ("AMF") is not the competent market authority to control our disclosure obligations. The AMF General Regulation only requires that the periodic and ongoing information to be disclosed pursuant to the EU Transparency Directive and which content is controlled by the AFM (for instance, the annual, half-yearly and quarterly financial reports or any inside information) also be disclosed at the same time in France and made available on our website.

In addition, as our shares are listed on Euronext Paris, in France, we must (i) inform the AMF of any modification of our bylaws and articles of incorporation that would add or remove a "poison pill" mechanism (pursuant to Article 223-20 of the AMF General Regulation); and (ii) disclose information on a monthly basis on the total number of shares and voting rights composing our capital, if those numbers have changed compared to the previously disclosed numbers (pursuant to Article 223-16 of the AMF General Regulation).

Articles 241-1 to 241-5 of the AMF General Regulation on buyback programs for equity securities admitted to trading on a regulated market and transaction reporting requirements are also applicable to our Company as well as Articles 611-1 to 632-1 of the AMF General Regulation on market abuse (insider dealing and market manipulation).

As a general rule, the information disclosed to the public must be accurate, precise and fairly presented.

All financial instruments traded on Euronext Paris are distributed between three capitalization compartments, A, B, and C, whose regulations are generally applicable to us. See "Item 9. Listing".

Other provisions of French securities regulations are not applicable to us.

Regarding the regulation of public tender offers, Articles 231-1 to 237-13 of the AMF General Regulation may apply to our shares, except for the provisions concerning the mandatory filing of a tender offer and the squeeze out.

Applicable Italian Legislation

Our common shares are listed on the *Mercato Telematico Azionario* (the "MTA"), the Italian automated screen-based quotation system organized and administered by Borsa Italiana and subject to the supervision of the *Commissione Nazionale per le Società e la Borsa* ("CONSOB"). Because our common shares are listed on the MTA, as described in "Item 9. Listing" above, we are required to publish certain information in order to comply with (i) the Financial Act and related regulations promulgated by the CONSOB and (ii) certain rules of the Borsa Italiana. These requirements are related to: (i) disclosure of price-sensitive information (such as capital increases, mergers, creation of joint subsidiaries, major acquisitions, approval of draft financial statements, proposals for dividend payments, approval of financial statements and interim reports); (ii) periodic information (such as financial statements to be provided in compliance with the jurisdiction of the country of incorporation) or information on the exercise of shareholders' rights (such as the calling of the shareholders' meeting or the exercise of pre-emptive rights); (iii) the publication of research, budgets and projections; and (iv) in certain circumstances, dissemination to the public in Italy, and communication to CONSOB, of any additional information that we provide to our shareholders in countries other than Italy where our shares are listed on a stock exchange.

As a result of our admission to the FTSE MIB Index, we must comply with certain additional stock market rules. These additional provisions require that we announce through a press release, within one month from our year-end closing (i) the month in which the payment of the dividend for the year ended, where applicable, is planned to take place (if different from the month when the previous dividend was distributed), and (ii) our intent, if any, of adopting a policy of distributing interim dividends for the current year, mentioning the months when the distribution of dividends and interim dividends will take place. In the event of a modification of the information referred to in (i) and (ii) above, we shall be required to promptly update such information in another press release. In addition, stock splits and certain other transactions must be carried out in accordance with the Borsa Italiana's calendar. We must notify the Italian stock market of any modification to the amount and distribution of our share capital. The notification must be made no later than one day after the modification has become effective under the rules to which we are subject.

We are required to communicate to the CONSOB and the Borsa Italiana the same information that we are required to disclose to the AMF and the AFM regarding transactions in our securities and any exercise of stock options by our Supervisory Board members and senior management, as described below.

Articles of Association

Purposes of the Company (Article 2)

Article 2 of our Articles of Association sets forth the purposes of our company. According to Article 2, our purposes shall be to participate in or take, in any manner, any interests in other business enterprises; to manage such enterprises; to carry on business in semiconductors and electronic devices; to take and grant licenses and other industrial property interests; to assume commitments in the name of any enterprises with which we may be associated within a group of companies; and to take any other action, such as but not limited to the granting of securities or the undertaking of obligations on behalf of third parties, which in the broadest sense of the term, may be related or contribute to the aforementioned objects.

Company and Trade Registry

We are registered with the trade register (*handelsregister*) of the Dutch Chamber of Commerce (*Kamer van Koophandel*) under no. 33194537.

Supervisory Board and Managing Board

Our Articles of Association do not include any provisions related to a Supervisory Board member's:

- power to vote on proposals, arrangements or contracts in which such member is directly interested;
- power, in the absence of an independent quorum, to vote on compensation to themselves or any members of the Supervisory Board; or
- borrowing powers exercisable by the directors and how such borrowing powers can be varied.

Our Supervisory Board Charter and Dutch law, however, explicitly prohibits members of our Supervisory Board from participating in discussions and voting on matters where any such member has a conflict of interest.

If our entire Supervisory Board would have a conflict of interest, our shareholders' meeting is the competent corporate body to adopt the relevant resolution. Our Articles of Association provide that our shareholders' meeting must adopt the compensation of our Supervisory Board members.

Neither our Articles of Association nor our Supervisory Board Charter has a requirement or policy that Supervisory Board members hold a minimum number of our common shares.

Compensation of our Managing Board (Article 12)

Our Supervisory Board determines the compensation of the sole member of our Managing Board, within the scope of the compensation policy adopted by our shareholders' meeting upon the proposal of our Supervisory Board. Our Supervisory Board will submit for approval by the shareholders' meeting a proposal regarding the compensation in the form of shares or rights to acquire shares. This proposal sets forth at least how many shares or rights to acquire shares may be awarded to our Managing Board and which criteria apply to an award or a modification.

Compensation of our Supervisory Board (Article 23)

Our shareholders' meeting determines the compensation of our Supervisory Board members. Our shareholders' meeting shall have the authority to decide whether such compensation will consist of a fixed amount and/or an amount that is variable in proportion to profits or any other factor.

Information from our Managing Board to our Supervisory Board (Article 18)

At least once per year our Managing Board shall inform our Supervisory Board in writing of the main features of our strategic policy, our general and financial risks and our management and control systems.

Our Managing Board shall then submit to our Supervisory Board for approval:

- our operational and financial objectives;
- our strategy designed to achieve the objectives;
- the parameters to be applied in relation to our strategy, *inter alia*, regarding financial ratios; and
- corporate social responsibility issues that are relevant to the enterprise.

For more information on our Supervisory Board and our Managing Board, see "Item 6. Directors, Senior Management and Employees".

Adoption of Annual Accounts and Discharge of Management and Supervision Liability (Article 25)

Each year, within four months after the end of our financial year, our Managing Board must prepare our statutory annual accounts, certified by one or several auditors appointed by our shareholders' meeting and submit them to our shareholders' meeting for adoption. Within this period and in accordance with the statutory obligations to which we are subject, our Managing Board must make generally available: (i) our statutory annual accounts, (ii) our annual report, (iii) the auditor's statement, as well as (iv) other annual financial accounting documents which we, under or pursuant to the law, must make generally available together with our statutory annual accounts.

Each year, our shareholders' meeting votes whether or not to discharge the members of our Supervisory Board and of our Managing Board for their supervision and management, respectively, during the previous financial year. In accordance with the applicable Dutch legislation, the discharge of the members of our Managing Board and the Supervisory Board must, in order to be effective, be the subject of a specific resolution on the agenda of our shareholders' meeting. Under Dutch law, this discharge does not extend to matters not disclosed to our shareholders' meeting.

Distribution of Profits (Articles 37, 38, 39 and 40)

Subject to certain exceptions, dividends may only be paid out of the profits as shown in our adopted annual accounts. Our profits must first be used to set up and maintain reserves required by Dutch law and our Articles of Association. Subsequently, if any of our preference shares are issued and outstanding, preference shareholders shall be paid a dividend, which will be a percentage of the paid up part of the par value of their preference shares. Our Supervisory Board may then, upon proposal of our Managing Board, also establish reserves out of our annual profits. The portion of our annual profits that remains after the establishment or maintenance of reserves and the payment of a dividend to our preference shareholders is at the disposal of our shareholders' meeting. No distribution may be made to our shareholders when the equity after such distribution is or becomes inferior to the fully-paid share capital, increased by the legal reserves. Our preference shares are cumulative by nature, which means that if in a financial year the dividend or the preference shares cannot be (fully) paid, the deficit must first be paid in the following financial year(s).

Our Supervisory Board independently as well as our shareholders' meeting, upon the proposal of our Supervisory Board, may each declare distributions out of our share premium reserve and other reserves available for shareholder distributions under Dutch law. Pursuant to a resolution of our Supervisory Board, distributions adopted by the shareholders' meeting may be fully or partially made in the form of our new shares to be issued. Our Supervisory Board may, subject to certain statutory provisions, make one or more interim distributions in respect of any year before the accounts for such year have been adopted at a shareholders' meeting. Rights to cash dividends and distributions that have not been collected within five years after the date on which they became due and payable shall revert to us.

For the history of dividends paid by us to our shareholders in the past five years, see "Item 8. Financial Information — Dividend Policy".

Shareholders' Meetings, Attendance at Shareholders' Meetings and Voting Rights

Notice Convening the Shareholders' Meeting (Articles 25, 26, 27, 28 and 29)

Our ordinary shareholders' meetings are held at least annually, within six months after the close of each financial year, in Amsterdam, Haarlemmermeer (Schiphol Airport), Rotterdam or The Hague, The Netherlands. Extraordinary shareholders' meetings may be held as often as our Supervisory Board deems necessary, and must be held upon the written request of registered shareholders or other persons entitled to attend shareholders' meetings of at least 10% of the total issued share capital to our Managing Board or our Supervisory Board specifying in detail the business to be dealt with. Such written requests may not be submitted electronically. In the event that the Managing Board or the Supervisory Board does not convene the shareholders' meeting within six weeks of such a request, the aforementioned shareholders or individuals may be authorized by a competent judicial authority.

Notice of shareholders' meetings shall be given by our Managing Board or by our Supervisory Board or by those who according to the law or our Articles of Association are entitled thereto. The notice shall be given in such manner as shall be authorized or required by law (including but not limited to a written notice, a legible and reproducible message sent by electronic means and an announcement published by electronic means), as well as in accordance with the regulations of a stock exchange where our shares are officially listed at our request. In addition, shareholders and other persons entitled to attend the shareholders' meetings that are registered in our share register shall be notified by letter that the meeting is being convened. The notice convening the shareholders' meeting shall be given with due observance of the statutory notice period, which is currently 42 days prior to the meeting.

The notice of the shareholders' meeting states the business to be transacted as well as other information prescribed by law and our Articles of Association. The agenda is fixed by the author of the notice of the meeting; however, one or more shareholders or other persons entitled to attend shareholders' meetings representing at least one-tenth of our issued share capital may, provided that the request was made at least five days prior to the date of convocation of the meeting, request that proposals be included on the agenda. Notwithstanding the previous sentence, proposals of persons who are entitled to attend shareholders' meetings will be included on the agenda, if such proposals are made in writing to our Managing Board within a period of sixty days before that meeting by persons who are entitled to attend our shareholders' meetings who, solely or jointly, represent at least 1% of our issued share capital or a market value of at least €50 million. The requests referred to in the previous two sentences may not be submitted electronically. The aforementioned requests must comply with conditions stipulated by our Managing Board, subject to the approval of our Supervisory Board, which shall be posted on our website. As of July 1, 2013, a new Dutch statutory provision entered into force requiring a shareholder requesting discussion of an agenda item to disclose to us its entire beneficial interest (long and short position). We are required to mention this interest on our website.

We are exempt from the proxy solicitation rules under the United States Securities Exchange Act of 1934. Euroclear France will provide notice of shareholders' meetings to, and compile voting instructions from, holders of shares held directly or indirectly through Euroclear France at the request of the Company, the Registrar or the voting Collection Agent. A voting collection agent must be appointed; TMF Netherlands B.V. (formerly known as Netherlands Management Company B.V.) acts as our voting collection agent. The Depository Trust Company ("DTC") will provide notice of shareholders' meetings to holders of shares held directly or indirectly through DTC and the New York Transfer Agent and Registrar will compile voting instructions. In order for holders of shares held directly or indirectly through Euroclear France to attend shareholders' meetings in person, such holders must withdraw their shares from Euroclear France and have such shares registered directly in their name or in the name of their nominee. In order for holders of shares held directly or indirectly through DTC to attend shareholders' meetings of shareholders in person, such holders need not withdraw such shares from DTC but must follow rules and procedures established by the New York Transfer Agent and Registrar.

Attendance at Shareholders' Meetings and Voting Rights (Articles 30, 31, 32, 33 and 34)

Each share is entitled to one vote.

All shareholders and other persons entitled to attend and to vote at shareholders' meetings are entitled to attend the shareholders' meeting either in person or represented by a person holding a written proxy, to address the shareholders' meeting and, as for shareholders and other persons entitled to vote, to vote, subject to our Articles of Association. Subject to the approval of our Supervisory Board, our Managing Board may resolve that shareholders and other persons entitled to attend the shareholders' meetings are authorized to directly take note of the business transactions at the meeting via an electronic means of communication. Our shareholders' meeting may set forth rules regulating, *inter alia*, the length of time during which shareholders may speak in the shareholders' meeting. If there are no such applicable rules, the chairman of the meeting may regulate the time during which shareholders are entitled to speak if desirable for the orderly conduct of the meeting.

Our Managing Board may, subject to the approval of our Supervisory Board, resolve that each person entitled to attend and vote at shareholders' meetings is authorized to vote via an electronic means of communication, either in person or by a person authorized in writing, provided that such person can be identified via the electronic means of communication and furthermore provided that such person can directly take note of the business transacted at the meeting. Our Managing Board may, subject to the approval of our Supervisory Board, attach conditions to the use of the electronic means of communication, which conditions shall be announced in the notice convening the shareholders' meeting and must be posted on our website.

Dutch law prescribes a fixed registration date of 28 days prior to the shareholders' meeting, which means that that shareholders and other persons entitled to attend shareholders' meetings are those persons who have such rights at the 28th day prior to the shareholders' meeting and, as such, are registered in a register designated by our Managing Board, regardless of who is a shareholder or otherwise a person entitled to attend shareholders' meetings at the time of the meeting if a registration date would not be applicable. In the notice convening the shareholders' meeting, the time of registration must be mentioned as well as the manner in which shareholders and other persons entitled to attend shareholders' meetings can register themselves and the manner in which they can exercise their rights.

Our Managing Board may, subject to the approval of our Supervisory Board, also resolve that persons entitled to attend and vote at shareholders' meetings may vote via an electronic means of communication determined by our Managing Board within a period to be set by our Managing Board prior to our shareholders' meeting, which period cannot commence earlier than the registration date (as described above). Votes cast in accordance with the provisions of the preceding sentence are equal to votes cast at our shareholders' meeting.

Shareholders and other persons entitled to attend meetings of shareholders may be represented by proxies with written authorization, which must be shown for admittance to the meeting. All matters regarding admittance to the shareholders' meeting, the exercise of voting rights and the result of voting, as well as any other matters regarding the business of the shareholders' meeting, shall be decided upon by the chairman of that meeting, in accordance with the requirements of Section 2:13 of the Dutch Civil Code.

Our Articles of Association allow for separate meetings for holders of common shares and for holders of preference shares. At a meeting of holders of preference shares at which the entire issued capital of shares of such class is represented, valid resolutions may be adopted even if the requirements in respect of the place of the meeting and the giving of notice have not been observed, provided that such resolutions are adopted by unanimous vote. Also, valid resolutions of preference shareholder meetings may be adopted outside a meeting if all persons entitled to vote on our preference shares indicate in writing that they vote in favor of the proposed resolution, provided that no depositary receipts for preference shares have been issued with our cooperation. Our Managing Board may, subject to the approval of our Supervisory Board, resolve that written resolutions may be adopted via an electronic means of communication. Our Managing Board may, subject to the approval of our Supervisory Board, attach conditions to the use of the electronic means of communication, which conditions shall be notified in writing to all holders of preference shares and other persons entitled to vote on our preference shares.

Authority of our Shareholders' Meeting (Articles 12, 16, 19, 25, 28, 32 and 41)

Our shareholders' meeting decides upon (i) the discharge of the members of our Managing Board for their management during the past financial year and the discharge of the members of our Supervisory Board for their supervision during the past financial year; (ii) the adoption of our statutory annual accounts and the distribution of dividends; (iii) the appointment of the members of our Supervisory Board and our Managing Board; and (iv) any other resolutions listed on the agenda by our Supervisory Board, our Managing Board or our shareholders and other persons entitled to attend shareholders' meetings.

Furthermore, our shareholders' meeting has to approve resolutions of our Managing Board regarding a significant change in the identity or nature of us or our enterprise, including in any event (i) transferring our enterprise or practically our entire enterprise to a third party, (ii) entering into or canceling any long-term cooperation between us or a subsidiary of us and any other legal person or company or as a fully liable general partner of a limited partnership or a general partnership, provided that such cooperation or the cancellation thereof is of essential importance to us, and (iii) us or a subsidiary of us acquiring or disposing of a participating interest in the capital of a company with a value of at least one-third of our total assets according to our Consolidated Balance Sheets and notes thereto in our most recently adopted annual accounts.

Our Articles of Association may only be amended (and our liquidation can only be decided on) if amendments are proposed by our Supervisory Board and approved by a simple majority of the votes cast at a shareholders' meeting at which at least 15% of the issued and outstanding share capital is present or represented. The complete proposal for the amendment (or liquidation) must be made available for inspection by the shareholders and the other persons entitled to attend shareholders' meetings at our offices as from the day of the notice convening such meeting until the end of the meeting. Any amendment of our Articles of Association that negatively affects the rights of the holders of a certain class of shares requires the prior approval of the meeting of holders of such class of shares.

Quorum and Majority (Articles 4, 13 and 32)

Unless otherwise required by our Articles of Association or Dutch law, resolutions of shareholders' meetings require the approval of a majority of the votes cast at a meeting at which at least 15% of the issued and outstanding share capital is present or represented, subject to the provisions explained below. We may not vote our common shares held in treasury. Blank and invalid votes shall not be counted.

A quorum of shareholders, present or represented, holding at least half of our issued share capital, is required to dismiss a member of our Managing Board, unless the dismissal is proposed by our Supervisory Board. In the event of the lack of a quorum, a second shareholders' meeting must be held within four weeks, with no applicable quorum requirement. Any decision or authorization by the shareholders' meeting which has or could have the effect of excluding or limiting preferential subscription rights must be taken by a majority of at least two-thirds of the votes cast, if at the shareholders' meeting less than 50% of the issued and outstanding share capital is present or represented. Otherwise such a resolution can be taken by a simple majority at a meeting at which at least 15% of the issued and outstanding share capital is represented.

Disclosure of holdings and capital interest under Dutch Law

Holders of our shares or rights to acquire shares (which includes, *inter alia*, options and convertible bonds) may be subject to notification obligations under Chapter 5.3 of the FMSA.

Under Chapter 5.3 of the FMSA, any person whose direct or indirect interest (including potential interest, such as options and convertible bonds) in our share capital or voting rights reaches or crosses a threshold percentage must notify the AFM either (a) immediately, if this is the result of an acquisition or disposal by it; or (b) no later than on the 4th trading day following the entry in the AFM's public register, if this is the result of a change in our share capital or votes which the AFM has entered in its public register. The threshold percentages are 3, 5, 10, 15, 20, 25, 30, 40, 50, 60, 75 and 95 percent.

Furthermore, persons holding 3% or more in our voting rights or capital interest on December 31 at 24:00 hours must within four weeks after December 31 notify the AFM of any changes in the composition of their interest since their last notification.

The following instruments qualify as "shares": (i) shares, (ii) depositary receipts for shares (or negotiable instruments similar to such receipts), (iii) negotiable instruments for acquiring the instruments under (i) or (ii) (such as convertible bonds), and (iv) options for acquiring the instruments under (i) or (ii).

Under Section 5.45 of the FMSA, a notification obligation can also arise other than through the holding of shares (or voting rights). Among others, the following shares and votes qualify as shares and votes "held" by a person: (i) those directly held by him; (ii) those held by his subsidiaries; (iii) shares held by a third party for such person's account and the votes such third party may exercise; (iv) the votes held by a third party if such person has concluded an oral or written agreement with such party which provides for a lasting common policy on voting; (v) the votes held by a third party if such person has concluded an oral or written agreement with such party which provides for a temporary and paid transfer of the votes; and (vi) the votes which a person may exercise as a proxy but in his own discretion. The management company of a common fund (*beleggingsfonds*) shall be deemed to have the disposal of the shares held by the depositary and the related voting rights. The depositary of a common fund shall be deemed not to have the disposal of shares or voting rights. Furthermore, special rules apply to the attribution of the ordinary shares which are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of our shares can also be subject to a notification obligation if such person has, or can acquire, the right to vote on our shares. If a pledgor or usufructuary acquires such voting rights, this may trigger a notification obligation for the holder of our shares. A person is also deemed to hold shares if he has a financial instrument (i) whose rise in value depends in part on the rise in value of the underlying shares or on dividend or other payments on those shares (in other words, a long position must be held in those shares), and (ii) which does not entitle him to acquire shares in a listed company (i.e., it is a cash-settled financial instrument). In addition, a person who may, by virtue of an option, be obliged to buy shares in a listed company is also equated with a shareholder. Moreover, a person who has entered into a contract (other than a cash-settled financial instrument) that gives him an economic position comparable to that of a shareholder in a listed company is also deemed to hold shares for the purposes of the disclosure obligation. The AFM has introduced a policy rule regulating certain technical and operational aspects of this extension of the disclosure obligation.

As of July 1, 2013 a new Section 5.39 subsection 2 of the FMSA entered into force requiring the holder of a financial instrument representing a short position in our shares to notify the AFM if such short position, expressed in a capital percentage, reaches or crosses a threshold percentage either (a) immediately, if this is the result of an acquisition or disposal by it; or (b) no later than on the 4th trading day following the entry in the AFM's public register, if this is the result of a change in our share capital which the AFM has entered in its public register. The threshold percentages are the same as referred to above in this section. Short position refers to the gross short position (i.e., a long position held by the holder cannot be offset against the short position).

The aforementioned disclosure requirement on gross short positions exists in addition to the requirement for the holder of a financial instrument representing a short position in our shares under the Regulation (EU) No 236/2012 on short selling and certain aspects of credit default swaps (the "EU Shortselling Regulation"), effective as of November 2012, to notify AFM of the net short position (i.e., long positions are offset against short positions) if such short position, expressed in a capital percentage, reaches or crosses a threshold percentage; The threshold percentages are 0.2% each 0.1% above that. Notifications as of 0.5% and each 0.1% above that will be published by the AFM.

Under Section 5.48 of the FMSA, the sole member of our Managing Board and each of the members of our Supervisory Board must without delay notify the AFM of any changes in his interest or potential interest in our share capital or voting rights.

The AFM will publish all notifications on its public website (www.afm.nl).

Non-compliance with the notification obligations of Chapter 5.3 of the FMSA can lead to imprisonment or criminal fines, or administrative fines or other administrative sanctions. In addition, non-compliance with these notification obligations may lead to civil sanctions, including, without limitation, suspension of the voting rights attaching to our shares held by the offender for a maximum of three years, (suspension and) nullification of a resolution adopted by our shareholders' meeting (if it is likely that such resolution would not have been adopted if the offender had not voted) and a prohibition for the offender to acquire our shares or votes for a period of no more than five years.

Share Capital (Articles 4, 5 and 6)

Our shares may not be issued at less than their par value; our common shares must be fully paid up at the time of their issuance. Our preference shares must be paid up for at least 25% of their par value at the time of their issuance (and the remaining 75% if and when requested by our Managing Board). Our authorized share capital is not restricted by redemption provisions, sinking fund provisions or liability to further capital calls by us. Our Articles of Association allows for the acquisition of own shares and the cancellation of shares. There are no conditions imposed by our Memorandum and Articles of Association governing changes in capital which are more stringent than is required by law.

Type II shares are common shares in the form of an entry in our shareholders register with the issue of a share certificate consisting of a main part without a dividend coupon. In addition to type II shares, type I shares are available. Type I shares are common shares in the form of an entry in our shareholders register without the issue of a share certificate. Type II shares are only available should our Supervisory Board decide to offer them. Our preference shares are in the form of an entry in our shareholders register without issue of a share certificate.

Non-issued authorized share capital, which is different from issued share capital, allows us to proceed with capital increases excluding the preemptive rights, upon our Supervisory Board's decision. Our annual shareholders' meeting, held on May 3, 2011, authorized our Supervisory Board to proceed with capital increases excluding the preemptive rights up to a maximum of 10% of our issued common share capital as of December 31, 2011, increased with another 15% of our issued common share capital as of December 31, 2011, in case of mergers and acquisitions, but never exceeding the limits of our authorized share capital. This authorization is valid for three years as of April 25, 2012. However, it is not possible to predict if we will request such an authorization again and at what time and under what conditions. The impact of any future capital increases within the limit of our authorized share capital, upon the decision of our Supervisory Board acting on the delegation granted to it by our shareholders' meeting, cannot therefore be evaluated.

Other securities in circulation which give access to our share capital include (i) the options giving the right to subscribe to our shares granted to our employees, including the sole member of our Managing Board and our senior managers; (ii) the options giving the right to subscribe to our shares granted in the past to the members of our Supervisory Board, its secretaries and controllers, as described in "Item 6. Directors, Senior Management and Employees" and (iii) our 2013 Senior Bonds as described above.

We do not have securities not representing our share capital.

Issuance of Shares, Preemptive Rights, Preference Shares and Capital Reduction (Articles 4 and 5)

Unless excluded or limited by the shareholders' meeting or our Supervisory Board according to the conditions described below, each holder of common shares has a pro rata preemptive right to subscribe to an offering of common shares issued for cash in proportion to the number of common shares which he owns. There is no preemptive right with respect to an offering of shares for non-cash consideration, with respect to an offering of shares to our employees or to the employees of one of our subsidiaries, or with respect to preference shares.

Our shareholders' meeting, upon proposal and on the terms and conditions set by our Supervisory Board, has the power to issue shares. The shareholders' meeting may also authorize our Supervisory Board, for a period of no more than five years, to issue shares and to determine the terms and conditions of share issuances. Our shares cannot be issued at below par and, as for our common shares, must be fully paid up at the time of their issuance. Our preference shares must be paid up for at least 25% of their par value.

Our shareholders' meeting, upon proposal by our Supervisory Board, also has the power to limit or exclude preemptive rights in connection with new issuances of shares. Such a resolution of the shareholders' meeting must be taken with a majority of at least two-thirds of the votes cast if at such shareholders' meeting less than 50% of the issued and outstanding share capital is present or represented. Otherwise such a resolution can be taken by a simple majority of the votes cast at a shareholders' meeting at which at least 15% of our issued and outstanding share capital is present or represented. Our shareholders' meeting may authorize our Supervisory Board, for a period of no more than five years, to limit or exclude preemptive rights.

Our annual shareholders' meeting, held on May 3, 2011, has authorized our Supervisory Board to resolve upon (i) the issuance of shares or the granting of rights to subscribe for common shares in our share capital, up to a maximum of 10% of our issued common share capital, as per December 31, 2011, increased with another 15% of our issued common share capital, as per December 31, 2011, in the case of mergers and acquisitions, (ii) upon the terms and conditions of an issuance of common shares, and (iii) upon the limitation and/or exclusion of pre-emptive rights of existing shareholders upon issuance of common shares, all for a three-year period as of April 25, 2012, but never exceeding the limits of our authorized share capital. Our Supervisory Board has not yet acted on its authorization to increase the registered capital to the limits of the authorized registered capital.

Upon the proposal of our Supervisory Board, our shareholders' meeting may, in accordance with the legal provisions, reduce our issued capital by canceling the shares that we hold in treasury, by reducing the par value of the shares or by canceling our preference shares.

See "Item 7. Major Shareholders and Related Party Transactions" for details on changes in the distribution of our share capital over the past three years.

We may issue preference shares in certain circumstances. See "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders — Shareholders' Agreements — Preference Shares".

The effect of the preference shares may be to deter potential acquirers from effecting an unsolicited acquisition resulting in a change of control or otherwise taking action as considered hostile by our Managing Board and Supervisory Board. See "Item 3. Key Information — Risk Factors — Risks Related to Our Operations — Our shareholder structure and our preference shares may deter a change of control".

No preference shares have been issued to date and therefore none are currently outstanding.

Liquidation Rights (Articles 42 and 43)

In the event of our dissolution and liquidation, after payment of all debts and liquidation expenses, the holders of preference shares if issued, would receive the paid up portion of the par value of their preference shares. Any assets then remaining shall be distributed among the registered holders of common shares in proportion to the par value of their shareholdings.

Acquisition of Shares in Our Own Share Capital (Article 5)

We may acquire our own shares, subject to certain provisions of Dutch law and of our Articles of Association, if and to the extent that (i) the shareholders' equity less the payment required to make the acquisition does not fall below the sum of the paid-up and called-up portion of the share capital and any reserves required by Dutch law, and (ii) the aggregate nominal value of shares that we or our subsidiaries acquire, hold or hold in pledge would not exceed one-tenth of our issued share capital. Share acquisitions may be effected by our Managing Board, subject to the approval of our Supervisory Board, only if the shareholders' meeting has authorized our Managing Board to effect such repurchases, which authorization may apply for a maximum period of 18 months. We may not vote shares we hold in treasury. Our purchases of our own shares are subject to acquisition price conditions as authorized by our shareholders' meeting. Pursuant to a shareholders' resolution adopted at our Annual General Meeting of Shareholders held on June 21, 2013, our Managing Board, subject to the approval of our Supervisory Board, is authorized for a period up to December 20, 2014 (inclusive) to acquire our shares subject to the limits set forth above and the acquisition price conditions set forth in such shareholders' resolution.

Our Articles of Association provide that we shall be able to acquire shares in our own share capital in order to transfer these shares under employee stock option or stock purchase plans, without an authorization of our shareholders' meeting.

Limitations on Right to Hold or Vote Shares

There are currently no limitations imposed by Dutch law or by our Articles of Association on the right of non-resident holders to hold or vote the shares.

Material Contracts

None.

Exchange Controls

None.

Taxation

Dutch Taxation

The following is a general summary and the tax consequences as described herein may not apply to a holder of common shares. Any potential investor should consult his tax adviser for more information about the tax consequences of acquiring, owning and disposing of common shares in his particular circumstances.

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of common shares. It does not consider every aspect of taxation that may be relevant to a particular holder of common shares under special circumstances or who is subject to special treatment under applicable law. Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this Dutch Taxation summary the terms "The Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary also assumes that we are organized, and that our business will be conducted, in the manner outlined in this Form 20-F. A change to such organizational structure or to the manner in which we conduct our business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of The Netherlands (unpublished case law not included) as it stands at the date of this Form 20-F. The law upon which this summary is based is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

Where in this Dutch Taxation paragraph reference is made to "your common shares", that concept includes, without limitation, that:

1. you own one or more common shares and in addition to the title to such common shares, you have an economic interest in such common shares;
2. you hold the entire economic interest in one or more common shares;
3. you hold an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more common shares, within the meaning of 1. or 2. above; or
4. you are deemed to hold an interest in common shares, as referred to under 1. to 3., pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), with respect to property that has been segregated, for instance in a trust or a foundation.

<u>*Taxes on income and capital gains*</u>

The summary set out in this section "Dutch Taxation" applies only to a holder of common shares who is a Non-resident holder of common shares.

For the purposes of this section, you are a "Non-resident holder of common shares" if you satisfy the following tests:

(a) you are neither resident, nor deemed to be resident, in The Netherlands for purposes of Dutch income tax or corporation tax, as the case may be, and, if you are an individual, you have not elected to be treated as a resident of The Netherlands for Dutch income tax purposes;

(b) your common shares and any benefits derived or deemed to be derived from such common shares have no connection with your past, present or future employment or membership of a management board (*bestuurder*) or a supervisory board (*commissaris*);

(c) your common shares do not form part of a substantial interest or a deemed substantial interest in us within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), unless such interest forms part of the assets of an enterprise, or, if you are not an individual, you do not hold the substantial interest with the predominant objective or one of the predominant objectives to avoid the levy of income tax or dividend withholding tax of another person; and

(d) if you are not an individual, no part of the benefits derived from your common shares is exempt from Dutch corporation tax under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

Generally, if a person holds an interest in us, such interest forms part of a substantial interest, or a deemed substantial interest, in us if any one or more of the following circumstances is present:

1. You — either alone or, in the case of an individual, together with your partner (partner), if any, or pursuant to article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) — own or are deemed to own, directly or indirectly, either a number of shares in us representing 5% or more of our total issued and outstanding capital (or the issued and outstanding capital of any class of our shares), or rights to acquire, directly or indirectly, shares, whether or not already issued, representing 5% or more of our total issued and outstanding capital (or the issued and outstanding capital of any class of our shares), or profit participating certificates (*winstbewijzen*) relating to 5% or more of our annual profit or to 5% or more of our liquidation proceeds.

2. Your shares, profit participating certificates or rights to acquire shares in us are held by you or deemed to be held by you following the application of a non-recognition provision.

3. Your partner or any of your relatives by blood or by marriage in the direct line (including foster children) or of those of your partner has a substantial interest (as described under 1. and 2. above) in us.

If you are entitled to the benefits from shares or profit participating certificates (for instance if you are a holder of a right of usufruct), you are deemed to be a holder of shares or profit participating certificates, as the case may be, and your entitlement to benefits is considered a share or profit participating certificate, as the case may be.

If you are a holder of common shares and you satisfy test a., but do not satisfy any one or more of tests (b), (c), and (d), your Dutch income tax position or corporation tax position, as the case may be, is not discussed in this Form 20-F.

If you are a Non-resident holder of common shares you will not be subject to any Dutch taxes on income or capital gains (other than the dividend withholding tax described below) in respect of any benefits derived or deemed to be derived by you from your common shares, including any capital gain realized on the disposal thereof, except if:

1. you derive profits from an enterprise, directly, or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, if you are an individual, or other than as a holder of securities, if you are not an individual, such enterprise is either managed in The Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in The Netherlands, and your common shares are attributable to such enterprise; or

2. you are an individual and you derive benefits from common shares that are taxable as benefits from miscellaneous activities in The Netherlands.

You may, inter alia, derive, or be deemed to derive, benefits from your common shares that are taxable as benefits from miscellaneous activities in the following circumstances:

a. if your investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge (*voorkennis*) or comparable forms of special knowledge, on the understanding that such benefits will be taxable in The Netherlands only if such activities are performed or deemed to be performed in The Netherlands; or

b. if you hold common shares, whether directly or indirectly, and any benefits to be derived from such common shares are intended, in whole or in part, as remuneration for activities performed or deemed to be performed in The Netherlands by you or by a person who is a connected person to you as meant by article 3.92b, paragraph 5, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Attribution rule

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

Dividend withholding tax

We are generally required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by us.

The concept “dividends distributed by us” as used in this section “Dutch Taxation” includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognized as paid-in for Dutch dividend withholding tax purposes;
- liquidation proceeds and proceeds of repurchase or redemption of shares in excess of the average capital recognized as paid-in for Dutch dividend withholding tax purposes;
- the par value of shares issued by us to a holder of common shares or an increase of the par value of shares, as the case may be, to the extent that it does not appear that a contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and
- partial repayment of capital, recognized as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (a) the general meeting of our shareholders has resolved in advance to make such repayment and (b) the par value of the shares concerned has been reduced by an equal amount by way of an amendment to our articles of association.

If you are a Non-resident holder of common shares and if you are resident in the non-European part of the Kingdom of the Netherlands or in a country that has concluded a double taxation treaty with The Netherlands, you may be eligible for a full or partial relief from the dividend withholding tax, provided such relief is timely and duly claimed.

Pursuant to domestic rules to avoid dividend stripping, dividend withholding tax relief will only be available to you if you are the beneficial owner (*uiteindelijk gerechtigde*) of dividends distributed by us. The Dutch tax authorities have taken the position that this beneficial-ownership test can also be applied to deny relief from dividend withholding tax under double tax treaties and the Tax Arrangement for the Kingdom (*Belastingregeling voor het Koninkrijk*) and the Tax Arrangement for the country of The Netherlands (*Belastingregeling voor het land Nederland*). If you receive proceeds from your common shares, you shall not be recognized as the beneficial owner of such proceeds if, in connection with the receipt of the proceeds, you have given a consideration, in the framework of a composite transaction including, without limitation, the mere acquisition of one or more dividend coupons or the creation of short-term rights of enjoyment of shares (*kortlopende genotsrechten op aandelen*), whereas it may be presumed that (i) such proceeds in whole or in part, directly or indirectly, inure to a person who would not have been entitled to an exemption from, reduction or refund of, or credit for, dividend withholding tax, or who would have been entitled to a smaller reduction or refund of, or credit for, dividend withholding tax than you, the actual recipient of the proceeds; and (ii) such person acquires or retains, directly or indirectly, an interest in common shares or similar instruments, comparable to its interest in common shares prior to the time the composite transaction was first initiated.

In addition, if you are a Non-resident holder of common shares that is not an individual, you are entitled to an exemption from dividend withholding tax, provided that the following tests are satisfied:

1. you are, according to the tax law of a Member State of the European Union or a state designated by ministerial decree, that is a party to the Agreement regarding the European Economic Area, resident there and you are not transparent for tax purposes according to the tax law of such state;

2. any one or more of the following threshold conditions are satisfied:

   a. at the time the dividend is distributed by us, you hold shares representing at least 5% of our nominal paid up capital; or

   b. you have held shares representing at least 5% of our nominal paid up capital for a continuous period of more than one year at any time during the four years preceding the time the dividend is distributed by us; or

   c. you are connected with us within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (Wet op de vennootschapsbelasting 1969); or

   d. an entity connected with you within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (Wet op de vennootschapsbelasting 1969) holds at the time the dividend is distributed by us, shares representing at least 5% of our nominal paid up capital;

3. you are not considered to be resident outside the Member States of the European Union or the states designated by ministerial decree, that are a party to the Agreement regarding the European Economic Area, under the terms of a double taxation treaty concluded with a third State; and

4. you do not perform a similar function as an investment institution (*beleggingsinstelling*) as meant by article 6a or article 28 of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

The exemption from dividend withholding tax is not available to you if you are a Non-resident holder of common shares and pursuant to a provision for the prevention of fraud or abuse included in a double taxation treaty between The Netherlands and your country of residence, you would not be entitled to the reduction of tax on dividends provided for by such treaty. Furthermore, the exemption from dividend withholding tax will only be available to you if you are the beneficial owner of dividends distributed by us. If you are a Non-resident holder of common shares and you are resident in a Member State of the European Union with which The Netherlands has concluded a double taxation treaty that provides for a reduction of tax on dividends based on the ownership of the number of voting rights, the test under 2.a. above is also satisfied if you own 5% of the voting rights in us.

The convention of December 18, 1992, between the Kingdom of the Netherlands and the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the “U.S./NL Income Tax Treaty”) provides for an exemption for dividends received by exempt pension trusts and exempt organizations, as defined therein. In such case, a refund may be obtained of the difference between the amount withheld and the amount that The Netherlands was entitled to levy in accordance with the U.S./NL Income Tax Treaty by filing the appropriate forms with the Dutch tax authorities within the term set therefor.

If we receive a profit distribution from a qualifying foreign entity, or a repatriation of qualifying foreign branch profit, that is exempt from Dutch corporation tax and that has been subject to a foreign withholding tax of at least 5%, we may be entitled to retain a portion of the Dutch dividend withholding tax imposed in respect of a dividend distributed by us, that ordinarily would be required to be remitted to the Dutch tax authorities. Such portion is the lesser of:

- 3% of the dividends paid by us in respect of which Dutch dividend withholding tax is withheld; and
- 3% of the qualifying profit distributions grossed up by the foreign tax withheld on such distributions received from foreign subsidiaries and branches prior to the distribution of the dividend by us during the current calendar year and the two preceding calendar years (to the extent such distributions have not been taken into account previously when applying this test).

Non-resident holders of common shares are urged to consult their tax advisers regarding the general creditability or deductibility of Dutch dividend withholding tax and, in particular, the impact on such investors of our potential ability to receive a reduction as described in the previous paragraph.

See the section “— Dutch Taxation — Taxes on income and capital gains” above for a description of the term Non-resident holder of common shares.

Gift and inheritance taxes

If you dispose of common shares by way of gift, in form or in substance, or if you die, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

- you are, or you were, resident or deemed to be resident in The Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or
- you made a gift of common shares, then became a resident or deemed resident of The Netherlands, and died as a resident or deemed resident of The Netherlands within 180 days of the date of the gift.

For purposes of the above, a gift of common shares made under a condition precedent (*opschortende voorwaarde*) is deemed to be made at the time the condition precedent is satisfied.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in The Netherlands by you in respect of or in connection with (i) the subscription, issue, placement, allotment, delivery of common shares, (ii) the delivery and/or enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of The Netherlands) of the documents relating to the issue of common shares or the performance by us of our obligations under such documents, or (iii) the transfer of common shares.

United States Federal Income Taxation

The following discussion is a general summary of the material U.S. federal income tax consequences to a U.S. holder (as defined below) of the ownership and disposition of our common shares. You are a U.S. holder only if you are a beneficial owner of common shares:

- that is, for U.S. federal income tax purposes, (a) a citizen or individual resident of the United States, (b) a U.S. domestic corporation or a U.S. domestic entity taxable as a corporation, (c) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (d) a trust, if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons are authorized to control all substantial decisions of the trust;
- that owns, directly, indirectly or by attribution, less than 10% of our voting power or outstanding share capital;
- that holds the common shares as capital assets;
- whose functional currency for U.S. federal income tax purposes is the U.S. dollar;
- that is a resident of the United States and not also a resident of The Netherlands for purposes of the U.S./NL Income Tax Treaty;
- that is entitled, under the "limitation on benefits" provisions contained in the U.S./NL Income Tax Treaty, to the benefits of the U.S./NL Income Tax Treaty; and
- that does not have a permanent establishment or fixed base in The Netherlands.

This summary does not discuss all of the tax consequences that may be relevant to you in light of your particular circumstances. Also, it does not address holders that may be subject to special rules including, but not limited to, U.S. expatriates, tax-exempt organizations, persons subject to the alternative minimum tax, banks, securities broker-dealers, financial institutions, regulated investment companies, insurance companies, traders in securities who elect to apply a mark-to-market method of accounting, persons holding our common shares as part of a straddle, hedging or conversion transaction, or persons who acquired common shares pursuant to the exercise of employee stock options or otherwise as compensation. Because this is a general summary, you are advised to consult your own tax advisor with respect to the U.S. federal, state, local and applicable foreign tax consequences of the ownership and disposition of our common shares. In addition, you are advised to consult your own tax advisor concerning whether you are entitled to benefits under the U.S./NL Income Tax Treaty.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) holds common shares, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership that holds common shares, you are urged to consult your own tax advisor regarding the specific tax consequences of the ownership and the disposition of common shares.

This summary is based on the Internal Revenue Code of 1986, as amended, the U.S./NL Income Tax Treaty, judicial decisions, administrative pronouncements and existing, temporary and proposed Treasury regulations as of the date of this Form 20-F, all of which are subject to change or changes in interpretation, possibly with retroactive effect.

Dividends

In general, you must include the gross amount of distributions paid (including the amount of any Dutch taxes withheld from those distributions) to you by us with respect to the common shares in your gross income as foreign-source taxable dividend income. The amount of any distribution paid in foreign currency (including the amount of any Dutch withholding tax thereon) will be equal to the U.S. dollar value of the foreign currency on the date of actual or constructive receipt by you regardless of whether the payment is in fact converted into U.S. dollars at that time. Gain or loss, if any, realized on a subsequent sale or other disposition of such foreign currency will be U.S.-source ordinary income or loss. Special rules govern and specific elections are available to accrual method taxpayers to determine the U.S. dollar amount includible in income in the case of taxes withheld in a foreign currency. Accrual basis taxpayers are urged to consult their own tax advisors regarding the requirements and elections applicable in this regard.

Subject to applicable limitations, Dutch taxes withheld from a distribution paid to you at a rate not exceeding the rate provided in the U.S./NL Income Tax Treaty will be eligible for credit against your U.S. federal income tax liability. As described in "— Taxation — Dutch Taxation" above, under limited circumstances we may be entitled to retain a portion of the Dutch withholding tax that otherwise would be required to be remitted to the taxing authorities in The Netherlands. If we withhold an amount from dividends paid to you that we then are not required to remit to any taxing authority in The Netherlands, the amount in all likelihood would not qualify as a creditable tax for U.S. federal income tax purposes. We will endeavor to provide you with information concerning the extent to which we have applied the reduction described above to dividends paid to you. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to the common shares generally will constitute “passive category income” or in the case of certain U.S. holders, “general category income”. The use of foreign tax credits is subject to complex rules and limitations. In lieu of a credit, a U.S. holder who itemizes deductions may elect to deduct all of such holder’s foreign taxes in the taxable year. A deduction does not reduce tax on a dollar-for-dollar basis like a credit, but the deduction for foreign taxes is not subject to the same limitations applicable to foreign tax credits. You should consult your own tax advisor to determine whether and to what extent a credit would be available to you.

Certain non-corporate U.S. holders (including individuals) are eligible for reduced rates of U.S. federal income tax in respect of “qualified dividend income”. For this purpose, “qualified dividend income” generally includes dividends paid by a non-U.S. corporation if, among other things, the U.S. holders meet certain minimum holding period and other requirements and the non-U.S. corporation satisfies certain requirements, including either that (i) the shares of the non-U.S. corporation are readily tradable on an established securities market in the United States, or (ii) the non-U.S. corporation is eligible for the benefits of a comprehensive income tax treaty with the United States (such as the U.S./NL Income Tax Treaty) which provides for the exchange of information. We currently believe that dividends paid by us with respect to our common shares should constitute “qualified dividend income” for U.S. federal income tax purposes; however, this is a factual matter and subject to change. You are urged to consult your own tax advisor regarding the availability to you of a reduced dividend tax rate in light of your own particular situation. A dividends-received deduction will not be allowed with respect to dividends paid by us.

Sale, Exchange or Other Disposition of Common Shares

Upon a sale, exchange or other disposition of common shares, you generally will recognize capital gain or loss in an amount equal to the difference between the amount realized and your tax basis in the common shares, as determined in U.S. dollars. This gain or loss generally will be U.S.-source gain or loss, and will be treated as long-term capital gain or loss if you have held the common shares for more than one year. If you are an individual, capital gains generally will be subject to U.S. federal income tax at preferential rates if specified minimum holding periods are met. The deductibility of capital losses is subject to significant limitations.

Net Investment Income Tax

Certain U.S. holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to a 3.8% tax on “net investment income”, including, among other things, dividends on, and gains from the sale or other taxable disposition of, our common shares, subject to certain limitations and exceptions. You should consult your own tax advisor regarding the effect, if any, of such tax on your ownership and disposition of our common shares.

Passive Foreign Investment Company Status

We believe that we should not be classified as a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes for the year ended December 31, 2013 and we do not expect to become a PFIC in the foreseeable future. This conclusion is a factual determination that must be made annually at the close of each taxable year and therefore we can provide no assurance that we will not be a PFIC in our current or any future taxable year. If we were to be characterized as a PFIC for any taxable year, the tax on certain distributions on our common shares and on any gains realized upon the disposition of common shares may be materially less favorable than as described herein. In addition, if we were a PFIC in a taxable year in which we were to pay dividends or the prior taxable year, such dividends would not be “qualified dividend income” (as described above) and would be taxed at the higher rates applicable to other items of ordinary income. You should consult your own tax advisor regarding the application of the PFIC rules to your ownership of our common shares.

U.S. Information Reporting and Backup Withholding

Dividend payments with respect to common shares and proceeds from the sale, exchange, retirement or other disposition of our common shares may be subject to information reporting to the U.S. Internal Revenue

Service (the "IRS") and possible U.S. backup withholding. Backup withholding will not apply to you, however, if you furnish a correct taxpayer identification number or certificate of foreign status and make any other required certification, or if you are otherwise exempt from backup withholding. U.S. persons required to establish their exempt status generally must provide certification on IRS Form W-9. Non-U.S. holders generally will not be subject to U.S. information reporting or backup withholding. However, these holders may be required to provide certification of non-U.S. status (generally on Form W-8BEN) in connection with payments received in the United States or through certain U.S.-related financial intermediaries. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

In addition, U.S. holders should be aware of annual reporting requirements with respect to the holding of certain foreign financial assets, including our common shares that are not held in an account maintained by certain types of financial institutions, if the aggregate value of all of such assets exceeds $50,000 (or $100,000 for married couples filing a joint return). You should consult your own tax advisor regarding the application of the information reporting and backup withholding rules to our common shares and the application of the annual reporting requirements to your particular situation.

Documents on Display

Any statement in this Form 20-F about any of our contracts or other documents is not necessarily complete. If the contract or document is filed as an exhibit to this Form 20-F the contract or document is deemed to modify the description contained in this Form 20-F. You must review the exhibits themselves for a complete description of the contract or document.

Our Articles of Association, the minutes of our annual shareholders' meetings, reports of the auditors and other corporate documentation may be consulted by the shareholders and any other individual authorized to attend the meetings at our head office at Schiphol Airport Amsterdam, The Netherlands, at the registered offices of the Managing Board in Geneva, Switzerland and at Crédit Agricole-Indosuez, 9, Quai du Président Paul-Doumer, 92400 Courbevoie, France.

You may review a copy of our filings with the U.S. Securities and Exchange Commission (the "SEC"), including exhibits and schedules filed with it, at the SEC's public reference facilities in Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information. In addition, the SEC maintains an internet site (www.sec.gov) that contains reports and other information regarding issuers that file electronically with the SEC. These SEC filings are also available to the public from commercial document retrieval services.

WE ARE REQUIRED TO FILE REPORTS AND OTHER INFORMATION WITH THE SEC UNDER THE SECURITIES EXCHANGE ACT OF 1934. REPORTS AND OTHER INFORMATION FILED BY U.S. WITH THE SEC MAY BE INSPECTED AND COPIED AT THE SEC'S PUBLIC REFERENCE FACILITIES DESCRIBED ABOVE OR THROUGH THE INTERNET (WWW.SEC.GOV). AS A FOREIGN PRIVATE ISSUER, WE ARE EXEMPT FROM THE RULES UNDER THE EXCHANGE ACT PRESCRIBING THE FURNISHING AND CONTENT OF PROXY STATEMENTS AND OUR OFFICERS, DIRECTORS AND PRINCIPAL SHAREHOLDERS ARE EXEMPT FROM THE REPORTING AND SHORT-SWING PROFIT RECOVERY PROVISIONS CONTAINED IN SECTION 16 OF THE EXCHANGE ACT. UNDER THE EXCHANGE ACT, AS A FOREIGN PRIVATE ISSUER, WE ARE NOT REQUIRED TO PUBLISH FINANCIAL STATEMENTS AS FREQUENTLY OR AS PROMPTLY AS UNITED STATES COMPANIES.

In addition, material filed by us with the SEC can be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, NY 10005 and at the offices of The Bank of New York Mellon, as New York Share Registrar, at 101 Barclay Street, New York, NY 10286 (telephone: 1-888-269-2377).

Item 11. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to changes in financial market conditions in the normal course of business due to our operations in different foreign currencies and our ongoing investing and financing activities. Market risk is the uncertainty to which future earnings or asset/liability values are exposed due to operating cash flows denominated in foreign currencies and various financial instruments used in the normal course of operations. The major financial risks to which we are exposed are the foreign exchange risks related to the fluctuations of the

U.S. dollar exchange rate compared to the Euro and the other major currencies in which costs are incurred, the variation of the interest rates and the risks associated to the investments of our available cash. We have established policies, procedures and internal processes governing our management of market risks and the use of financial instruments to manage our exposure to such risks.

Our interest income (expense), net, as reported in our Consolidated Statements of Income, is the balance between interest income received from our cash and cash equivalents and marketable securities investments and interest expense paid on our financial liabilities and bank fees (including fees on committed credit lines). Our interest income is dependent upon fluctuations in interest rates, mainly in U.S. dollars and Euros, since we invest primarily on a short-term basis; any increase or decrease in the market interest rates would mean an equivalent increase or decrease in our interest income. See "Item 5. Operating and Financial Review and Prospects — Impact of Changes in Interest Rates".

We place our cash and cash equivalents, or a part of it, with financial institutions with at least a single "A" long-term rating from two of the major rating agencies, meaning at least A3 from Moody's and A- from S&P or Fitch, or better, invested as term deposits and FRN marketable securities and, as such, we are exposed to the fluctuations of the market interest rates on our placement and our cash, which can have an impact on our accounts. We manage the credit risks associated with financial instruments through credit approvals, investment limits and centralized monitoring procedures but do not normally require collateral or other security from the parties to the financial instruments. Our U.S. treasury bills portfolio, which amounted to $150 million as of December 31, 2012, was sold in 2013. We estimated the fair value of these financial assets based on publicly quoted market prices, which corresponded to a Level 1 fair value measurement hierarchy. As of December 31, 2013, the marketable securities have a value of $57 million. They are classified as available-for-sale and are reported at fair value, with changes in fair value recognized as a separate component of "Accumulated other comprehensive income (loss)" in the Consolidated Statements of Equity, except if deemed to be other-than-temporary. The change in fair value of these instruments was not material for the year ended December 31, 2013. The estimated value of these securities could further decrease in the future as a result of credit market deterioration and/or other downgrading.

We also have a significant amount of receivables relating to tax credits, refunds and funding from the governments of certain countries in the Euro zone. As of December 31, 2013, we had $513 million of long-term government receivables almost entirely from France and Italy. In the event of a default of these countries, we could be required to recognize a significant loss.

We do not anticipate any material adverse effect on our financial position, results of operations or cash flows resulting from the use of our instruments in the future. There can be no assurance that these strategies will be effective or that transaction losses can be minimized or forecasted accurately.

The information below summarizes our market risks associated with cash and cash equivalents, short-term deposits, marketable securities and debt obligations as of December 31, 2013. The information below should be read in conjunction with Note 23 to our Consolidated Financial Statements.

The table below presents principal amounts and related weighted-average interest rates by year of maturity for our investment portfolio and debt obligations (in millions of U.S. dollars, except percentages):

	Total	2014	2015	2016	2017	2018	Thereafter	Fair Value at December 31, 2013
Assets:								
Cash and cash equivalents	$1,836							$ 1,836
Cash at bank and on hand	$ 213							$ 213
Deposits at call with banks	$1,623							$ 1,623
Short-term deposits	$ 1							$ 1
Average interest rate	0.27%							
Current marketable securities	$ 57							$ 57
Average interest rate	0.46%							
Long-term debt:	$1,153	225	205	195	119	117	292	$ 1,153
Average interest rate	0.90%							

	Amounts in millions of U.S. Dollars	
Long-term debt by currency as of December 31, 2013:		
U.S. dollar	$	1,012
Euro		141
Total in U.S. dollars	$	1,153

	Amounts in millions of U.S. Dollars	
Long-term debt by currency as of December 31, 2012:		
U.S. dollar	$	689
Euro		612
Total in U.S. dollars	$	1,301

The following table provides information about our FX forward contracts and FX currency options not designated as a hedge at December 31, 2013 (in millions of U.S. dollars):

FORWARD CONTRACTS AND CURRENCY OPTIONS AT DECEMBER 31, 2013

				Notional Amount	Average Rate	Fair Value
Buy	**EUR**	Sell	**USD**	1	1.3670	0
Buy	**JPY**	Sell	**EUR**	7	84.8268	0
Buy	**USD**	Sell	**INR**	34	65.2309	1
Buy	**USD**	Sell	**JPY**	18	102.9425	0
Buy	**JPY**	Sell	**USD**	12	103.5952	0
Buy	**SGD**	Sell	**USD**	68	1.2594	0
Buy	**MYR**	Sell	**USD**	14	3.2748	0
Buy	**GBP**	Sell	**USD**	28	1.6344	0
Buy	**SEK**	Sell	**USD**	6	3.6643	0
Buy	**CZK**	Sell	**USD**	1	19.9000	0
Buy	**CHF**	Sell	**USD**	55	0.8872	0
Buy	**CNY**	Sell	**USD**	33	5.5318	0
Buy	**KRW**	Sell	**USD**	9	1,060.9868	0
Buy	**TWD**	Sell	**USD**	10	29.5988	0
Buy	**PHP**	Sell	**USD**	1	26.7261	0
Buy	**AUD**	Sell	**USD**	0	0.8927	0
Buy	**BRL**	Sell	**USD**	12	-2.3440	0
Buy	**TND**	Sell	**USD**	1	1.6445	0
Buy	**HUF**	Sell	**USD**	0	215.7000	0
Buy	**USD**	Sell	**CAD**	9	1.0559	0
Buy	**PLN**	Sell	**USD**	0	3.0150	0
				319		1

Our FX forward contracts and FX currency options, including collars, designated as a hedge, are further described in Note 23 to our Consolidated Financial Statements.

The following table provides information about our FX forward contracts and FX currency options not designated as a hedge at December 31, 2012 (in millions of U.S. dollars):

FORWARD CONTRACTS AND CURRENCY OPTIONS AT DECEMBER 31, 2012

				Notional Amount	Average Rate	Fair Value
Buy	**EUR**	Sell	**USD**	291	1.3195	4
Buy	**JPY**	Sell	**EUR**	4	113.6353	0
Buy	**EUR**	Sell	**JPY**	6	113.3413	0
Buy	**USD**	Sell	**INR**	42	54.9706	0
Buy	**USD**	Sell	**JPY**	33	85.8875	1
Buy	**JPY**	Sell	**USD**	10	85.8910	0
Buy	**SGD**	Sell	**USD**	77	1.2207	0
Buy	**MYR**	Sell	**USD**	14	3.0597	0
Buy	**GBP**	Sell	**USD**	32	1.6185	0
Buy	**SEK**	Sell	**USD**	118	6.5254	1
Buy	**CZK**	Sell	**USD**	0	19.0259	0
Buy	**CHF**	Sell	**USD**	82	0.9151	0
Buy	**CNY**	Sell	**USD**	47	6.2386	0
Buy	**KRW**	Sell	**USD**	15	1,063.4208	0
Buy	**TWD**	Sell	**USD**	8	29.0001	0
Buy	**PHP**	Sell	**USD**	1	41.0000	0
Buy	**NOK**	Sell	**USD**	13	5.5817	0
Buy	**BRL**	Sell	**USD**	14	2.0584	0
Buy	**ZAR**	Sell	**USD**	0	8.4945	0
Buy	**TND**	Sell	**USD**	1	1.5500	0
Buy	**HUF**	Sell	**USD**	0	220.8676	0
Buy	**USD**	Sell	**CAD**	9	0.9972	0
Buy	**PLN**	Sell	**USD**	0	3.0826	0
				817		6

Our FX forward contracts and FX currency options, including collars, designated as a hedge, are further described in Note 23 to our Consolidated Financial Statements.

Item 12. Description of Securities Other than Equity Securities

We sell ordinary shares in the United States that are evidenced by American registered certificates (“New York Shares”). In connection therewith, a holder of our New York Shares may have to pay, either directly or indirectly, certain fees and charges, as described in Item 12D.3. In addition, we receive fees and other direct and indirect payments from our New York agent, Bank of New York Mellon (“BNY Mellon” or “New York Agent”), located at 101 Barclay Street, New York, NY 10286, that are related to our New York Shares, as described in Item 12D.4.

12.D.3 Fees and Charges that a holder of our New York Shares May Have to Pay

BNY Mellon collects fees for the delivery and surrender of New York Shares directly from investors depositing or surrendering New York Shares for the purpose of withdrawal or from intermediaries acting for them. BNY Mellon does not have the right to assess cash distribution fees or annual service fees on holders of our New York Shares.

Persons depositing or withdrawing our New York Shares must pay to BNY Mellon:

- $5.00 (or less) per 100 New York Shares (or portion of 100 New York Shares) for the issuance of New York Shares, including issuances resulting from a distribution of shares or rights or other property, and cancellation of New York Shares for the purpose of withdrawal, including if the New York Share agreement terminates;
- Taxes and other governmental charges BNY Mellon or the custodian have to pay on any New York Shares or share underlying a New York Share, such as stock transfer, stamp duty or withholding taxes, as necessary; and
- Any charges incurred by the New York Agent or its agents for servicing the deposited securities, as necessary.

12D.4 Fees and Other Payments Made by the New York Agent to Us

In 2013, a total of $1 million was paid by BNY Mellon to us or on our behalf for our New York Share program. Specifically, the following types of fees were paid: our NYSE annual listing fees; investor relations fees paid to third party vendors; BNY Mellon custodian fees, standard out-of-pocket maintenance costs paid to vendors for the New York Shares (primarily consisting of expenses related to our Annual General Meeting, such as those for the production and distribution of proxy materials, customization of voting cards and tabulation of shareholder votes) and other expenses related to Sarbanes-Oxley compliance.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

Evaluation

Our management, including the CEO and CFO, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures ("Disclosure Controls") as of the end of the period covered by this Form 20-F. Disclosure Controls are controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed under the Exchange Act, such as this Form 20-F, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure Controls are also designed to reasonably assure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Our quarterly evaluation of Disclosure Controls includes an evaluation of some components of our internal control over financial reporting, and internal control over financial reporting is also separately evaluated on an annual basis.

The evaluation of our Disclosure Controls included a review of the controls' objectives and design, our implementation of the controls and their effect on the information generated for use in this Form 20-F. In the course of the controls evaluation, we reviewed identified data errors, control problems or acts of fraud and sought to confirm that appropriate corrective actions, including process improvements, were being undertaken. This type of evaluation is performed at least on a quarterly basis so that the conclusions of management, including the CEO and CFO, concerning the effectiveness of the Disclosure Controls can be reported in our periodic reports on Form 6-K and Form 20-F. The components of our Disclosure Controls are also evaluated on an ongoing basis by our Internal Audit Department, which reports directly to our Audit Committee. The overall goals of these various evaluation activities are to monitor our Disclosure Controls, and to modify them as necessary. Our intent is to maintain the Disclosure Controls as dynamic systems that change as conditions warrant.

Based upon the controls evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this Form 20-F, our Disclosure Controls (including those at ST-Ericsson) were effective.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the period covered by this form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls

No system of internal control over financial reporting, including one determined to be effective, may prevent or detect all misstatements. It can provide only reasonable assurance regarding financial statement preparation and presentation. Also, projections of the results of any evaluation of the effectiveness of internal control over financial reporting into future periods are subject to inherent risk that the relevant controls may become inadequate due to changes in circumstances or that the degree of compliance with the underlying policies or procedures may deteriorate.

Other Reviews

We have sent this Form 20-F to our Audit Committee and Supervisory Board, which had an opportunity to raise questions with our management and independent auditors before we filed it with the SEC.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013, the end of our fiscal year. Management based its assessment on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework (1992)*. Management's assessment included evaluation of such elements as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies and our overall control environment. Based on this assessment management concluded that, as of December 31, 2013, our internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers SA, an independent registered public accounting firm, as stated in their report which appears in Item 18 of this Form 20-F.

Attestation Report of the Registered Public Accounting Firm

Please see the "Report of Independent Registered Accounting Firm" included in our Consolidated Financial Statements.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by the Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our Supervisory Board has concluded that Martine Verluyten, the Chair of our Audit Committee, and Tom de Waard, member of our Audit Committee, qualified as an "audit committee financial expert" as defined in Item 16A and is independent as defined in the listing standards applicable to us as a listed issuer as required by Item 16A(2) of Form 20-F.

Item 16B. Code of Ethics

Policy on Business Conduct and Ethics

Since 1987, we have had a corporate policy on Business Conduct and Ethics (the "Ethics Policy"), which is designed to promote honest and ethical business conduct, to deter wrongdoing and to provide principles to which our employees are expected to adhere and advocate. The Ethics Policy is applicable to all of our employees and senior managers. We have adapted and will amend this Ethics Policy as appropriate to reflect regulatory or other changes. The Ethics Policy provides that if any employee or senior manager to whom it applies acts in contravention of its principles, we will take appropriate steps in terms of the procedures in place for fair disciplinary action. This action may, in cases of severe breaches, include dismissal. Our Ethics Policy on Business Conduct and Ethics is posted on our website (www.st.com).

Item 16C. Principal Accountant Fees and Services

PricewaterhouseCoopers SA has served as our independent registered public accounting firm since 1996. The auditors are elected by the shareholders' meeting once every three years. PricewaterhouseCoopers was reelected for a three-year term by our May 3, 2011 shareholders' meeting, which will expire at our shareholders' meeting in 2014.

The following table presents the aggregate fees for professional audit services and other services rendered by PricewaterhouseCoopers SA to us in 2012 and 2013.

	2013(1)	Percentage of Total Fees	2012(1)	Percentage of Total Fees
Audit Fees				
Statutory audit, certification, audit of individual and Consolidated Financial Statements	$6,154,142	98.9%	$6,745,561	99.3%
Audit-related fees	$ 23,527	0.4%	$ 15,817	0.2
Non-audit Fees				
Tax compliance fees	$ 41,577	0.7%	$ 34,855	0.5
Other fees	—	—	—	—
Total	**$6,219,246**	**100%**	**$6,796,233**	**100%**

(1) These figures include the fees paid for the audit of ST-Ericsson.

Audit Fees consist of fees billed for the annual audit of our company's Consolidated Financial Statements, the statutory audit of the financial statements of the Company's subsidiaries and consultations on complex accounting issues relating to the annual audit. Audit Fees also include services that only our independent auditor can reasonably provide, such as comfort letters and carve-out audits in connection with strategic transactions, certain regulatory-required attest and certifications letters, consents and the review of documents filed with U.S., French and Italian stock exchanges.

Audit-related services are assurance and related fees consisting of the audit of employee benefit plans, due diligence services related to acquisitions and certain agreed-upon procedures.

Tax Fees include fees billed for tax compliance services, including the preparation of original and amended tax returns and claims for refund; tax consultations, such as assistance in connection with tax audits and expatriate tax compliance.

Audit Committee Pre-approval Policies and Procedures

Our Audit Committee is responsible for selecting the independent registered public accounting firm to be employed by us to audit our financial statements, subject to ratification by the Supervisory Board and approval by our shareholders for appointment. Our Audit Committee also assumes responsibility (in accordance with Dutch law) for the retention, compensation, oversight and termination of any independent auditor employed by us. We adopted a policy (the "Policy"), which was approved in advance by our Audit Committee, for the pre-approval of audit and permissible non-audit services provided by our independent auditors (PricewaterhouseCoopers). The Policy defines those audit-related services eligible to be approved by our Audit Committee.

All engagements with the external auditors, regardless of amount, must be authorized in advance by our Audit Committee, pursuant to the Policy and its pre-approval authorization or otherwise.

The independent auditors submit a proposal for audit-related services to our Audit Committee on a quarterly basis in order to obtain prior authorization for the amount and scope of the services. The independent auditors must state in the proposal that none of the proposed services affect their independence. The proposal must be endorsed by the office of our CFO with an explanation of why the service is needed and the reason for sourcing it to the audit firm and validation of the amount of fees requested.

We do not intend to retain our independent auditors for permissible non-audit services other than by exception and within a limited amount of fees, and the Policy provides that such services must be explicitly authorized by our Audit Committee.

The Chief Audit and Risk Executive is responsible for monitoring that the actual fees are complying with the pre-approval amount and scope authorized by our Audit Committee. During 2013, all services provided to us by PricewaterhouseCoopers were approved by our Audit Committee pursuant to paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total Number of Securities Purchased	Average Price Paid per Security	Total Number of Securities Purchased as Part of Publicly Announced Programs	Maximum Number of Securities that May yet be Purchased Under the Programs
2013-01-01 to 2013-01-31	—	—	22,592,633	—
2013-02-01 to 2013-02-28	—	—	22,592,633	—
2013-03-01 to 2013-03-31	—	—	22,592,633	—
2013-04-01 to 2013-04-30	—	—	22,582,447	—
2013-05-01 to 2013-05-31	—	—	20,179,847	—
2013-06-01 to 2013-06-30	—	—	20,163,122	—
2013-07-01 to 2013-07-31	—	—	20,129,501	—
2013-08-01 to 2013-08-31	—	—	20,129,501	—
2013-09-01 to 2013-09-30	—	—	20,109,780	—
2013-10-01 to 2013-10-31	—	—	20,109,780	—
2013-11-01 to 2013-11-30	—	—	20,096,542	—
2013-12-01 to 2013-12-31	—	—	20,096,542	—

As of December 31, 2013 we held 20,096,542 of our common shares in treasury pursuant to repurchases made in prior years, and as of January 31, 2014 we hold 20,048,104 of such shares. We did not repurchase our common shares in 2013 and we have not announced any additional repurchase programs.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Our consistent commitment to the principles of good corporate governance is evidenced by:

- Our corporate organization under Dutch law that entrusts our management to a Managing Board acting under the supervision and control of a Supervisory Board totally independent from the Managing Board. Members of our Managing Board and of our Supervisory Board are appointed and dismissed by our shareholders;
- Our early adoption of policies on important issues such as "business ethics" and "conflicts of interest" and strict policies to comply with applicable regulatory requirements concerning financial reporting, insider trading and public disclosures;
- Our compliance with Dutch securities laws, because we are a company incorporated under the laws of The Netherlands, as well as our compliance with American, French and Italian securities laws, because our shares are listed in these jurisdictions, in addition to our compliance with the corporate, social and financial laws applicable to our subsidiaries in the countries in which we do business;
- Our broad-based activities in the field of corporate social responsibility, encompassing environmental, social, health, safety, educational and other related issues;
- Our implementation of a non-compliance reporting channel (managed by a third party) for issues regarding accounting, internal controls or auditing. A special ombudsperson has been appointed by our Supervisory Board, following the proposal of its Audit Committee, to collect all complaints, whatever their source, regarding accounting, internal accounting controls or auditing matters, as well as the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- Our Principles of Sustainable Excellence ("PSE"), which require us to integrate and execute all of our business activities, focusing on our employees, customers, shareholders and global business partners;
- Our Corporate Ethics Committee, whose mandate is to provide guidance and recommendations to the management and employees of STMicroelectronics in their efforts to comply with ethics-related policies, procedures and principles applicable throughout the Company;

- Our Chief Compliance Officer, who reports to the Chief Financial Officer, Executive Vice President Finance, Legal, Infrastructure and Services, also acts as Executive Secretary to our Supervisory Board; and
- Our Chief Audit and Risk Executive, who reports directly to our Audit Committee for Internal Audit and directly to the CEO for ERM is also responsible for our Corporate Ethics Committee, our whistle-blowing hotline and related investigations.

As a Dutch company, we are subject to the Dutch Corporate Governance Code as revised by the Dutch Corporate Governance Monitoring Committee on December 10, 2008. As we are listed on the NYSE, Euronext Paris, the Borsa Italiana in Milan, but not in The Netherlands, our policies and practices cannot be in every respect consistent with all Dutch "Best Practice" recommendations. We have summarized our policies and practices in the field of corporate governance in the ST Corporate Governance Charter, including our corporate organization, the remuneration principles which apply to our Managing and Supervisory Boards, our information policy and our corporate policies relating to business ethics and conflicts of interests, which was approved by our shareholders at our 2004 annual shareholders' meeting. We are committed to informing our shareholders of any significant changes in our corporate governance policies and practices at our annual shareholders' meeting. Along with our Supervisory Board Charter (which includes the charters of our Supervisory Board Committees) and our Code of Business Conduct and Ethics, the current version of our ST Corporate Governance Charter is posted on our website (www.st.com), and these documents are available in print to any shareholder who may request them.

Our Supervisory Board is carefully selected based upon the combined experience and expertise of its members. Certain of our Supervisory Board members, as disclosed in their biographies set forth above, have existing relationships or past relationships with FT1CI, Bpifrance, CEA and the Italian Ministry of the Economy and Finance, who are currently parties to the STH Shareholders' Agreement as well as with ST Holding, our major shareholder or with other parties that are among our suppliers, customers or technology partners. See "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders — Shareholders' Agreement — STH Shareholders' Agreement". See also "Item 3. Key Information — Risk Factors — Risks Related to Our Operations — The interests of our controlling shareholders, which are in turn controlled respectively by the French and Italian governments, may conflict with investors' interests". Such relationships may give rise to potential conflicts of interest. However, in fulfilling their duties under Dutch law, Supervisory Board members serve the best interests of all of our stakeholders and of our business and must act independently in their supervision of our management. Our Supervisory Board has adopted criteria to assess the independence of its members in accordance with corporate governance listing standards of the NYSE.

Our Supervisory Board has on various occasions discussed Dutch corporate governance standards, the implementing rules and corporate governance standards of the SEC and of the NYSE, as well as other corporate governance standards.

The Supervisory Board has determined, based on the evaluations by an ad hoc committee, the following independence criteria for its members: Supervisory Board members must not have any material relationship with STMicroelectronics N.V., or any of our consolidated subsidiaries, or our management. A "material relationship" can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others, but does not include a relationship with direct or indirect shareholders.

We believe we are fully compliant with all material NYSE corporate governance standards, to the extent possible for a Dutch company listed on Euronext Paris, Borsa Italiana, as well as the NYSE. Because we are a Dutch company, the Audit Committee is an advisory committee to the Supervisory Board, which reports to the Supervisory Board, and our shareholders must approve the selection of our statutory auditors. Our Audit Committee has established a charter outlining its duties and responsibilities with respect to the monitoring of our accounting, auditing, financial reporting and the appointment, retention and oversight of our external auditors. In addition, our Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and the confidential anonymous submission by our employees regarding questionable accounting or auditing matters.

No member of the Supervisory Board or Managing Board has been (i) subject to any convictions in relation to fraudulent offenses during the five years preceding the date of this Form 20-F, (ii) no member has been associated with any company in bankruptcy, receivership or liquidation in the capacity of member of the administrative, management or supervisory body, partner with unlimited liability, founder or senior manager in the five years preceding the date of this Form 20-F or (iii) subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including professional bodies) or disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer during the five years preceding the date of this Form 20-F.

Pursuant to our Supervisory Board Charter, the Supervisory Board is responsible for handling and deciding on potential reported conflicts of interests between the Company and members of the Supervisory Board, as well as the Managing Board. One of the members of our Supervisory Board is a member of the Board of Directors of Technicolor and one of the members of our Supervisory Board is a member of the Supervisory Board of BESI. A former member of our Supervisory Board, whose mandate ended in June 2013, is a director of Oracle Corporation (“Oracle”) and Flextronics International. A former member of our senior management, who resigned effective March 31, 2013, is a member of the Board of Directors of Soitec and Adecco. Adecco, as well as Oracle’s subsidiary PeopleSoft, supply certain services to our Company. We have also conducted transactions with Soitec and BESI as well as with Technicolor and Flextronics. Each of the aforementioned arrangements and transactions is negotiated without the personal involvement of our Supervisory Board members or, where applicable, the senior manager concerned, and we believe that they are made in line with market practices and conditions. Please see “Item 7. Major Shareholders and Related Party Transactions”.

PART III

Item 17. **Financial Statements**

Not applicable.

Item 18. **Financial Statements**

Item 19. **Exhibits**

1.1	Amended and Restated Articles of Association of STMicroelectronics N.V., dated December 2, 2013, as adopted by the Extraordinary General Meeting of Shareholders on December 2, 2013.
8.1	Subsidiaries and Equity-method Investments of the Company.
12.1	Certification of Carlo Bozotti, President and Chief Executive Officer and Sole Member of the Managing Board of STMicroelectronics N.V., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of Carlo Ferro, Chief Financial Officer, Executive Vice President, Finance, Legal, Infrastructure and Services of STMicroelectronics N.V., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification of Carlo Bozotti, President and Chief Executive Officer and Sole Member of the Managing Board of STMicroelectronics N.V., and Carlo Ferro, Chief Financial Officer, Executive Vice President, Finance, Legal, Infrastructure and Services of STMicroelectronics N.V., pursuant to 18 U.S.C. §1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent of Independent Registered Public Accounting Firm.
101	Interactive Data File.

CERTAIN TERMS

ASD	application-specific discrete technology
ASIC	application-specific integrated circuit
ASSP	application-specific standard product
BCD	bipolar, CMOS and DMOS process technology
BiCMOS	bipolar and CMOS process technology
CMOS	complementary metal-on silicon oxide semiconductor
CODEC	audio coding and decoding functions
DMOS	diffused metal-on silicon oxide semiconductor
DRAMs	dynamic random access memory
DSP	digital signal processor
EMAS	Eco-Management and Audit Scheme, the voluntary European Community scheme for companies performing industrial activities for the evaluation and improvement of environmental performance
EEPROM	electrically erasable programmable read-only memory
EPROM	erasable programmable read-only memory
EWS	electrical wafer sorting
GPS	global positioning system
HCMOS	high-speed complementary metal-on silicon oxide semiconductor
IC	integrated circuit
IGBT	insulated gate bipolar transistors
IP	intellectual property
IPAD	integrated passive and active devices
ISO	International Organization for Standardization
MEMS	micro-electro-mechanical system
MOS	metal-on silicon oxide semiconductor process technology
MOSFET	metal-on silicon oxide semiconductor field effect transistor
NFC	near field communication
ODM	original design manufacturer
OEM	original equipment manufacturer
PDIP	plastic dual in-line package
QFP	quad-flat no-leads package
QFN	quad-flat package
RAM	random access memory
RF	radio frequency
SAM	serviceable available market
SiP	system-in-package
SoC	system-on-chip
SOI	silicon on insulator
SOIC	small-outline integrated circuit
SPEAr™	structured processor enhanced architecture
SRAM	static random access memory
TAM	total available market
VIPpower™	vertical integration power

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

STMICROELECTRONICS N.V.

Date: March 5, 2014

By: /s/ Carlo Bozotti

Carlo Bozotti
President and Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Supervisory Board and Shareholders of STMicroelectronics N.V.:

In our opinion, the consolidated financial statements of STMicroelectronics N.V. listed in the index appearing under Item 18 of this 2013 Annual Report to Shareholders on Form 20-F present fairly, in all material respects, the financial position of STMicroelectronics N.V. and its subsidiaries at December 31, 2013 and December 31, 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule of STMicroelectronics N.V. listed in the index appearing under Item 18 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Report on Internal Control over Financial Reporting", appearing under Item 15 of this 2013 Annual Report to Shareholders on Form 20-F. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers SA

/s/ Mike Foley	/s/ Claudia Benz
Mike Foley	Claudia Benz

Geneva, Switzerland
March 5, 2014

STMicroelectronics N.V.

CONSOLIDATED STATEMENTS OF INCOME

In million of U.S. dollars except per share amounts	Twelve months ended December 31, 2013	December 31, 2012	December 31, 2011
Net sales	8,050	8,380	9,630
Other revenues	32	113	105
Net revenues	**8,082**	**8,493**	**9,735**
Cost of sales	(5,468)	(5,710)	(6,161)
Gross profit	**2,614**	**2,783**	**3,574**
Selling, general and administrative	(1,066)	(1,166)	(1,210)
Research and development	(1,816)	(2,413)	(2,352)
Other income and expenses, net	95	91	109
Impairment, restructuring charges and other related closure costs	(292)	(1,376)	(75)
Operating income (loss)	**(465)**	**(2,081)**	**46**
Other-than-temporary impairment charge and realized gains on financial assets	—	—	318
Interest expense, net	(5)	(35)	(25)
Loss on equity-method investments	(122)	(24)	(28)
Gain on financial instruments, net	—	3	25
Income (loss) before income taxes and noncontrolling interest	**(592)**	**(2,137)**	**336**
Income tax expense	(37)	(51)	(181)
Net income (loss)	**(629)**	**(2,188)**	**155**
Net loss (income) attributable to noncontrolling interest	129	1,030	495
Net income (loss) attributable to parent company	**(500)**	**(1,158)**	**650**
Earnings per share (Basic) attributable to parent company stockholders	(0.56)	(1.31)	0.74
Earnings per share (Diluted) attributable to parent company stockholders	(0.56)	(1.31)	0.72

The accompanying notes are an integral part of these audited consolidated financial statements

STMicroelectronics N.V.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Twelve months ended		
In million of U.S. dollars	December 31, 2013	December 31, 2012	December 31, 2011
Net income (loss)	**(629)**	**(2,188)**	**155**
Other comprehensive income (loss), net of tax :			
Currency translation adjustments arising during the period	103	64	(106)
Foreign currency translation adjustments	103	64	(106)
Unrealized gains (losses) arising during the period	1	6	—
Less : reclassification adjustment for (income) losses included in net income (loss)	—	—	(33)
Unrealized gains (losses) on securities	1	6	(33)
Unrealized gains (losses) arising during the period	36	30	(13)
Less : reclassification adjustment for (income) losses included in net income (loss)	(29)	59	(112)
Unrealized gains (losses) on derivatives	7	89	(125)
Prior service cost arising during the period	(5)	(4)	—
Net gains (losses) arising during the period	74	(20)	(72)
Less : amortization of prior service cost included in net periodic pension cost	5	5	1
Defined benefit pension plans	74	(19)	(71)
Other comprehensive income (loss), net of tax	**185**	**140**	**(335)**
Comprehensive income (loss)	**(444)**	**(2,048)**	**(180)**
Less : comprehensive income (loss) attributable to noncontrolling interest	(134)	(1,014)	(521)
Comprehensive income (loss) attributable to the company's stockholders	**(310)**	**(1,034)**	**341**

The accompanying notes are an integral part of these audited consolidated financial statements

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STMicroelectronics N.V.

CONSOLIDATED BALANCE SHEETS

In million of U.S. dollars	As at December 31, 2013	As at December 31, 2012
Assets		
Current assets :		
Cash and cash equivalents	1,836	2,250
Short-term deposits	1	1
Marketable securities	57	238
Trade accounts receivable, net	1,049	1,005
Inventories	1,336	1,353
Deferred tax assets	123	137
Assets held for sale	16	—
Other current assets	389	518
Total current assets	**4,807**	**5,502**
Goodwill	90	141
Other intangible assets, net	217	213
Property, plant and equipment, net	3,156	3,481
Non-current deferred tax assets	227	414
Restricted cash	—	4
Long-term investments	76	119
Other non-current assets	600	560
	4,366	**4,932**
Total assets	**9,173**	**10,434**

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In million of U.S. dollars	As at December 31, 2013	As at December 31, 2012
Liabilities and equity		
Current liabilities:		
Short-term debt	225	630
Trade accounts payable	694	797
Other payables and accrued liabilities	937	942
Dividends payable to stockholders	89	89
Deferred tax liabilities	—	11
Accrued income tax	48	86
Total current liabilities	**1,993**	**2,555**
Long-term debt	928	671
Post-employment benefit obligations	366	477
Long-term deferred tax liabilities	11	14
Other long-term liabilities	158	353
	1,463	**1,515**
Total liabilities	**3,456**	**4,070**
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, 910,703,305 shares issued, 890,606,763 shares outstanding)	1,156	1,156
Capital surplus	2,581	2,555
Retained earnings	1,076	1,959
Accumulated other comprehensive income	1,042	794
Treasury stock	(212)	(239)
Total parent company stockholders' equity	5,643	6,225
Noncontrolling interest	74	139
Total equity	**5,717**	**6,364**
Total liabilities and equity	**9,173**	**10,434**

The accompanying notes are an integral part of these audited consolidated financial statements

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STMicroelectronics N.V.

CONSOLIDATED STATEMENTS OF EQUITY

In million of U.S. dollars, except per share amounts	Common Stock	Capital Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
Balance as of December 31, 2010	1,156	2,515	(304)	3,241	979	910	8,497
Stock-based compensation expense		29	33	(33)			29
Business combination						9	9
Comprehensive income (loss):							
Net income (loss)				650		(495)	155
Other comprehensive income (loss), net of tax					(309)	(26)	(335)
Comprehensive income (loss)							(180)
Dividends to noncontrolling interest						(5)	(5)
Dividends, $0.40 per share				(354)			(354)
Balance as of December 31, 2011	1,156	2,544	(271)	3,504	670	393	7,996
Stock-based compensation expense		11	32	(32)			11
Contribution of noncontrolling interest						765	765
Comprehensive income (loss):							
Net loss				(1,158)		(1,030)	(2,188)
Other comprehensive income (loss), net of tax					124	16	140
Comprehensive income (loss)							(2,048)
Dividends to noncontrolling interest						(5)	(5)
Dividends, $0.40 per share				(355)			(355)
Balance as of December 31, 2012	1,156	2,555	(239)	1,959	794	139	6,364
Stock-based compensation expense		26	27	(27)			26
Joint ventures deconsolidation					58	73	131
Comprehensive income (loss):							
Net loss				(500)		(129)	(629)
Other comprehensive income (loss), net of tax					190	(5)	185
Comprehensive income (loss)							(444)
Dividends to noncontrolling interest						(4)	(4)
Dividends, $0.40 per share				(356)			(356)
Balance as of December 31, 2013	1,156	2,581	(212)	1,076	1,042	74	5,717

The accompanying notes are an integral part of these audited consolidated financial statements

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STMicroelectronics N.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In million of U.S. dollars	Twelve Months Ended December 31, 2013	December 31, 2012	December 31, 2011
Cash flows from operating activities:			
Net income (loss)	(629)	(2,188)	155
Items to reconcile net income (loss) and cash flows from operating activities:			
Depreciation and amortization	910	1,107	1,279
Other-than-temporary impairment charge and realized gains on financial assets	—	—	(318)
Gain on financial instruments, net	—	(3)	(25)
Gain on sale of businesses	(80)	—	—
Non-cash stock-based compensation	26	11	29
Other non-cash items	(113)	(65)	(151)
Deferred income tax	(48)	(80)	47
Loss on equity-method investments	122	24	28
Impairment, restructuring charges and other related closure costs, net of cash payments	145	1,303	(79)
Changes in assets and liabilities:			
Trade receivables, net	(57)	35	184
Inventories	(22)	191	(59)
Trade payables	(139)	148	(384)
Other assets and liabilities, net	251	129	174
Net cash from operating activities	**366**	**612**	**880**
Cash flows from investing activities:			
Payment for purchase of tangible assets	(543)	(492)	(1,284)
Proceeds from sale of tangible assets	12	16	26
Payment for purchase of marketable securities	—	(450)	(352)
Proceeds from sale of marketable securities	184	630	818
Proceeds from settlement of non-current marketable securities	—	—	350
Proceeds from matured short-term deposits	—	—	73
Restricted cash	—	—	(95)
Release of restricted cash	3	3	87
Net cash variation for joint ventures deconsolidation	(21)	—	—
Payment for funding of joint ventures liquidation	(15)	—	—
Payment for purchase of intangible and financial assets	(92)	(117)	(95)
Proceeds from sale of intangible and financial assets	1	15	—
Net proceeds from sale of stock received on investment divestiture	—	—	195
Proceeds received in sale of businesses	92	—	—
Payment for business acquisitions, net of cash and cash equivalents acquired	—	(1)	(10)
Net cash used in investing activities	**(379)**	**(396)**	**(287)**

In million of U.S. dollars	Twelve Months Ended December 31, 2013	December 31, 2012	December 31, 2011
Cash flows from financing activities:			
Proceeds from long-term debt	477	464	3
Proceeds from short-term borrowings	145	390	333
Repurchase / repayment of issued debt	(455)	(219)	(422)
Repayment of long-term debt	(166)	(109)	(108)
Repayment of short-term borrowings	(35)	(20)	(8)
Increase (decrease) in short-term facilities	—	(7)	7
Dividends paid to stockholders	(346)	(355)	(327)
Dividends paid to noncontrolling interests	(4)	(5)	(5)
Other financing activities	(4)	(4)	(2)
Net cash from (used in) financing activities	**(388)**	**135**	**(529)**
Effect of changes in exchange rates	(13)	(13)	(44)
Net cash increase (decrease)	**(414)**	**338**	**20**
Cash and cash equivalents at beginning of the period	**2,250**	**1,912**	**1,892**
Cash and cash equivalents at end of the period	**1,836**	**2,250**	**1,912**
Supplemental cash information:			
Interest paid	10	26	17
Income tax paid	23	51	83

The accompanying notes are an integral part of these audited consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions of U.S. dollars, except share and per-share amounts)

1. THE COMPANY

STMicroelectronics N.V. (the "Company") is registered in The Netherlands with its corporate legal seat in Amsterdam, the Netherlands, and its corporate headquarters located in Geneva, Switzerland.

The Company is a global independent semiconductor company that designs, develops, manufactures and markets a broad range of semiconductor integrated circuits ("ICs") and discrete devices. The Company offers a diversified product portfolio and develops products for a wide range of market applications, including automotive products, computer peripherals, telecommunications systems, consumer products, industrial automation and control systems. Within its diversified portfolio, the Company is focused on developing products that leverage its technological strengths in creating customized, system-level solutions with digital and mixed-signal content.

2. ACCOUNTING POLICIES

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"). All balances and values in the current and prior periods are in millions of U.S. dollars, except share and per-share amounts. Under Article 35 of the Company's Articles of Association, the financial year extends from January 1 to December 31, which is the period-end of each fiscal year.

2.1 – Principles of consolidation

The Company's consolidated financial statements include the assets, liabilities, results of operations and cash flows of its majority-owned subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Intercompany balances and transactions have been eliminated in consolidation. In compliance with U.S. GAAP, the Company assesses for consolidation any entity identified as a Variable Interest Entity ("VIE") and consolidates any VIEs, for which the Company is determined to be the primary beneficiary, as described in Note 2.9.

When the Company owns some, but not all, of the voting stock of a consolidated entity, the shares held by third parties represent a noncontrolling interest. The consolidated financial statements are prepared based on the total amount of assets and liabilities and income and expenses of the consolidated subsidiaries. However, the portion of these items that does not belong to the Company is reported on the line "Noncontrolling interest" in the consolidated financial statements.

2.2 – Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions. The primary areas that require significant estimates and judgments by management include, but are not limited to:

- sales returns and allowances,
- determination of the best estimate of the selling price for deliverables in multiple element sale arrangements,
- inventory obsolescence reserves and normal manufacturing capacity thresholds to determine costs capitalized in inventory,
- provisions for litigation and claims and recognition and measurement of loss contingencies,
- valuation at fair value of assets acquired or sold, including intangibles, goodwill, investments and tangible assets,

- annual and trigger-based impairment review of goodwill and intangible assets, as well as an assessment, in each reporting period, of events, which could trigger interim impairment testing on long-lived assets,
- estimated value of the consideration to be received and used as fair value for asset groups classified as assets held for sale and the assessment of probability of realizing the sale,
- assessment of other-than-temporary impairment charges on financial assets, including equity-method investments,
- restructuring charges and other related exit costs,
- assumptions used in assessing the number of awards expected to vest on stock-based compensation plans,
- assumptions used in calculating pension obligations, and
- determination of the amount of taxes expected to be paid and tax benefit expected to be received, including deferred income tax assets, valuation allowance and provisions for uncertain tax positions and claims.

The Company bases the estimates and assumptions on historical experience and on various other factors such as market trends, market information used by market participants and the latest available business plans that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. While the Company regularly evaluates its estimates and assumptions, the actual results experienced by the Company could differ materially and adversely from those estimates. To the extent there are material differences between the estimates and the actual results, future results of operations, cash flows and financial position could be significantly affected.

2.3 – Foreign currency

The U.S. dollar is the reporting currency of the Company. The U.S. dollar is the currency of the primary economic environment in which the Company operates since the worldwide semiconductor industry uses the U.S. dollar as a currency of reference for actual pricing in the market. Furthermore, the majority of the Company’s transactions are denominated in U.S. dollars, and revenues from external sales in U.S. dollars largely exceed revenues in any other currency. However, labor costs are concentrated primarily in the countries of the Euro zone.

The functional currency of each subsidiary of the Company is either the local currency or the U.S. dollar, depending on the basis of the economic environment in which each subsidiary operates. Foreign currency transactions, including operations in local currency when the U.S. dollar is the functional currency, are measured into the functional currency using the period average exchange rate. Foreign exchange gains and losses resulting from the translation at reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income on the line “Other income and expenses, net”.

For consolidation purposes, the results and financial position of the subsidiaries whose functional currency is different from the U.S. dollar are translated into the reporting currency as follows:

(a) assets and liabilities for each consolidated balance sheet presented are translated at the closing exchange rate as of the balance sheet date;

(b) income and expenses for each consolidated statement of income presented are translated at the monthly average exchange rate;

(c) the resulting exchange differences are reported as Currency Translation Adjustments (“CTA”), a component of “Other comprehensive income (loss)” in the consolidated statements of comprehensive income.

2.4 – Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with external financial institutions and other short-term highly liquid investments with original maturities of three months or less. They are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Bank overdrafts are not netted against cash and cash equivalents and are shown as part of current liabilities on the consolidated balance sheets.

2.5 – Trade accounts receivable

Trade accounts receivable are amounts due from customers for goods sold and services rendered to third parties in the ordinary course of business. They are recognized at their billing value, net of allowances for doubtful accounts. The Company maintains an allowance for doubtful accounts for potential estimated losses resulting from its customers' inability to make required payments. The Company bases its estimates on historical collection trends and records an allowance accordingly. Additionally, the Company evaluates its customers' financial condition periodically and records an allowance for any specific account it considers as doubtful. The carrying amount of the receivable is thus reduced through the use of an allowance account, and the amount of the charge is recognized on the line "Selling, general and administrative" in the consolidated statements of income. Subsequent recoveries, if any, of amounts previously provided for are credited against the same line in the consolidated statements of income. When a trade accounts receivable is uncollectible, it is written-off against the allowance account for trade accounts receivable.

In the event of sales of receivables such as factoring, the Company derecognizes the receivables and accounts for them as a sale only to the extent that the Company has surrendered control over the receivables in exchange for a consideration other than beneficial interest in the transferred receivables.

2.6 – Inventories

Inventories are stated at the lower of cost or market value. Cost is based on the weighted average cost by adjusting standard cost to approximate actual manufacturing costs on a quarterly basis; the cost is therefore dependent on the Company's manufacturing performance. In the case of underutilization of manufacturing facilities, the costs associated with the excess capacity are not included in the valuation of inventories but charged directly to cost of sales. Market value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses and cost of completion.

The Company performs, on a continuous basis, inventory write-offs of products, which have the characteristics of slow-moving, old production date and technical obsolescence. Indeed, the Company evaluates its product inventory to identify obsolete or slow-selling stock and records a specific reserve if the Company estimates the inventory will eventually become obsolete. Reserve for obsolescence is estimated for excess uncommitted inventory based on the previous quarter sales, order backlog and production plans.

2.7 – Current and deferred income tax

Income tax for the period comprises current and deferred income tax. Current income tax represents the income tax expected to be paid or the tax benefit expected to be received related to the current year taxable profit and loss in each individual tax jurisdiction. Deferred income tax is recognized, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. However deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates and laws that are enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The effect on deferred tax assets and liabilities from changes in tax laws and tax rates is recognized in earnings in the period in which the law is enacted. Deferred income tax assets are recognized in full, but the Company assesses whether future taxable profit will be available against which temporary differences can be utilized. An unrecognized tax benefit, or a portion of an unrecognized tax benefit, is presented as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, in application of the new guidance relating to the presentation in the financial statements of unrecognized tax benefits when these types of tax credits or carryforward exist, as described in Note 2.24. A valuation allowance is provided for deferred tax assets when management considers it is more likely than not that they will not be realized.

The Company recognizes a deferred tax liability on undistributed earnings of subsidiaries when there is a presumption that the earnings will be remitted to the parent. This presumption is overcome only if the Company can demonstrate that the earnings will be permanently reinvested. A deferred tax asset is recognized on compensation for the grant of stock awards to the extent that such charge constitutes a temporary difference in the subsidiaries' local tax jurisdictions. Changes in the stock price do not impact the deferred tax asset and do not result in any adjustments prior to vesting. When the actual tax deduction is determined, generally upon vesting, it is compared to the deferred tax asset as recognized over the vesting period. When a windfall tax benefit is determined (as the excess tax benefit of the actual tax deduction over the deferred tax asset) the excess tax benefit is recorded in equity on the line "Capital surplus" on the consolidated statements of equity. In case of shortfall, only the actual tax benefit is to be recognized in the consolidated financial statements. The Company writes off the deferred tax asset at the level of the actual tax deduction by charging first capital surplus to the extent of the pool of windfall benefits available from prior years, and then earnings. When the settlement of an award results in a net operating loss ("NOL") carryforward, or increase of existing NOLs, the excess tax benefit and the corresponding credit to capital surplus is not recorded until the deduction reduces income tax payable.

At each reporting date, the Company assesses all material open income tax positions in all tax jurisdictions to determine any uncertain tax positions. The Company uses a two-step process for the evaluation of uncertain tax positions. The first step consists of determining whether a benefit may be recognized; the assessment is based on a more-likely-than-not recognition threshold. If the sustainability is lower than 50%, a full provision should be accounted for. In case of a sustainability threshold in step one higher than 50%, the Company must perform a second step in order to measure the amount of recognizable tax benefit, net of any liability for tax uncertainties. The measurement methodology in step two is based on a "cumulative probability" approach, resulting in the recognition of the largest amount that is greater than 50% likely of being realized upon settlement with the taxing authority. As described in Note 2.24, the unrecognized tax benefit is recorded as a reduction of a deferred tax asset to the extent that a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of the tax position. The Company accrues for interest and penalties on uncertain tax liabilities reported on the consolidated balance sheets. Interests and penalties are classified as components of income tax expense in its consolidated statements of income.

2.8 – Assets held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The assets are classified as assets held for sale when the following conditions have been met: management has approved the plan to sell; assets are available for immediate sale; assets are actively being marketed; sale is probable within one year; price is reasonable in the market and it is unlikely that there will be significant changes in the assets to be sold or a withdrawal to the plan to sell. Assets classified as held for sale are reported as current assets at the lower of their carrying amount and fair value less costs to sell. Costs to sell include incremental direct costs to transact the sale that would not have been incurred except for the decision to sell. Depreciation is not charged on long-lived assets classified as held for sale. When the held-for-sale accounting treatment requires an impairment charge for the difference between the carrying amount and fair value, such impairment is reflected on the consolidated statements of income on the line “Impairment, restructuring charges and other related closure costs”. If the long-lived assets no longer meet the held-for-sale model, they are reported as assets held and used and thus reclassified from current assets to the line “Property, plant and equipment, net” in the consolidated balance sheets. The assets are measured at the lower of their fair value at the date of the subsequent decision not to sell and their carrying amount prior to their classification as assets held for sale, adjusted for any depreciation that would have been recognized if the long-lived assets had not been classified as assets held for sale.

2.9 – Business combinations and goodwill

The Company assesses each investment in equity securities to determine whether the investee is a Variable Interest Entity (“VIE”). The Company consolidates the VIEs for which the Company is determined to be the primary beneficiary. The primary beneficiary of a VIE is the party that: (i) has the power to direct the most significant activities of the VIE and (ii) is obligated to absorb losses or has the rights to receive returns that would be considered significant to the VIE. Assets, liabilities, and the noncontrolling interest of newly consolidated VIEs are initially measured at fair value in the same manner as if the consolidation resulted from a business combination.

The purchase accounting method is applied to all business combinations. The identifiable assets acquired, equity instruments issued, and liabilities assumed are measured at fair value on the acquisition date. Any contingent purchase price and acquired contingencies are recorded at fair value on the acquisition date. Acquisition-related transaction costs and restructuring costs relating to the acquired business are expensed as incurred. Acquired in-process research and development (“IPR&D”) is capitalized and recorded as an intangible asset on the acquisition date, subject to impairment testing until the research or development is completed or abandoned. The excess of the aggregate of the consideration transferred and the fair value of any noncontrolling interest in the acquiree over the net of the acquisition-date amount of the identifiable assets acquired and liabilities assumed is recorded as goodwill. In case of a bargain purchase, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed; the noncontrolling interest in the acquiree, if any; the Company’s previously held equity interest in the acquiree, if any; and the consideration transferred. If after this review, a bargain purchase is still indicated, it is recognized in earnings attributed to the Company. The purchase of additional interests in a partially owned subsidiary is treated as an equity transaction as well as all transactions concerning the sale of subsidiary stock or the issuance of stock by the partially owned subsidiary as long as there is no change in control of the subsidiary. If as a consequence of selling subsidiary shares, the Company no longer controls the subsidiary, the Company recognizes a gain or loss in earnings.

Goodwill represents the excess of the aggregate of the consideration transferred and the fair value of any noncontrolling interest in the acquiree over the net of the acquisition-date amount of the identifiable assets acquired and liabilities assumed. Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortized but is tested annually for impairment, or more frequently if indicators of impairment exist. Goodwill subject to potential impairment is tested at a reporting unit level, after performing a “qualitative” assessment to determine whether impairment testing is necessary, in cases where the Company has elected to apply such option. The impairment test determines whether the fair value of each reporting unit for which goodwill is allocated is lower than the total carrying amount of relevant net assets allocated to such reporting unit, including its allocated goodwill. If lower, the implied fair value of the reporting unit goodwill is then compared to the carrying value of the goodwill and an impairment charge is recognized for any excess. In determining the fair value of a reporting unit, the Company uses a market approach with financial metrics of comparable public companies and estimates the expected discounted future cash flows associated with the reporting unit. Significant management judgments and estimates are used in forecasting the future discounted cash flows, including: the applicable industry’s sales volume forecast and selling price evolution, the reporting unit’s market penetration and its revenues evolution, the market acceptance of certain new technologies and products, the relevant cost structure, the discount rates applied using a weighted average cost of capital and the perpetuity rates used in calculating cash flow terminal values.

2.10 – Intangible assets with finite useful lives

Intangible assets subject to amortization include the intangible assets purchased from third parties recorded at cost and intangible assets acquired in business combinations recorded at fair value, which include trademarks, technologies and licenses, contractual customer relationships and computer software. Amortization begins when the intangible asset is available for use and is calculated using the straight-line method to allocate the cost of the intangible assets over the estimated useful lives.

Trademarks, technologies and licenses

Separately acquired trademarks and licenses are recorded at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life which ranges from 3 to 7 years and are carried at cost less accumulated amortization and impairment losses, if any.

Computer software

Separately acquired computer software is recorded at historical cost. Costs associated with maintaining computer software programs are expensed in the consolidated statements of income as incurred. The capitalization of costs for internally generated software developed by the Company for its internal use begins when the preliminary project stage is completed and when the Company, implicitly or explicitly, authorizes and commits to funding a computer software project. It must be probable that the project will be completed and will be used to perform the function intended. Amortization on computer software begins when the software is available for use and is calculated using the straight-line method over the estimated useful life, which does not exceed 4 years.

The carrying value of intangible assets with finite useful lives is evaluated whenever changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the consolidated statements of income for the amount by which the asset’s carrying amount exceeds its fair value. The Company evaluates the remaining useful life of an intangible asset at each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization.

2.11 – Property, plant and equipment

Property, plant and equipment are stated at historical cost, net of capital investment funding, accumulated depreciation and any impairment losses. Property, plant and equipment acquired in a business combination are recognized at fair value at the acquisition date. Major additions and improvements are capitalized, minor replacements and repairs are charged to current operations.

Land is not depreciated. Depreciation on fixed assets is computed using the straight-line method over their estimated useful lives, as follows:

Buildings	33 years
Facilities and leasehold improvements	5-10 years
Machinery and equipment	3-10 years
Computer and R&D equipment	3-6 years
Other	2-5 years

The Company evaluates each period whether there is reason to suspect that tangible assets or groups of assets held and used might not be recoverable. Several impairment indicators exist for making this assessment, such as: restructuring plans, significant changes in the technology, market, economic or legal environment in which the Company operates or in the market to which the asset is dedicated, or available evidence of obsolescence of the asset, or indication that its economic performance is, or will be, worse than expected. In determining the recoverability of assets to be held and used, the Company initially assesses whether the carrying value of the tangible assets or group of assets exceeds the undiscounted cash flows associated with these assets. If exceeded, the Company then evaluates whether an impairment charge is required by determining if the asset's carrying value also exceeds its fair value. This fair value is normally estimated by the Company based on independent market appraisals or the sum of discounted future cash flows, using market assumptions such as the utilization of the Company's fabrication facilities and the ability to upgrade such facilities, change in the selling price and the adoption of new technologies. The Company also evaluates, and adjusts if appropriate, the assets' useful lives, at each balance sheet date or when impairment indicators exist.

When property, plant and equipment are retired or otherwise disposed of, the net book value of the assets is removed from the Company's books. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in "Other income and expenses, net" in the consolidated statements of income.

Lease arrangements in which the Company has substantially all the risks and rewards of ownership are classified as capital leases. Assets leased under capital leases are included in "Property, plant and equipment, net" and recorded at inception at the lower of their fair value and the present value of the minimum lease payments. They are depreciated over the shorter of the estimated useful life and the lease term unless there is a reasonable certainty that ownership will be obtained by the end of the lease term. The financial liability corresponding to the contractual obligation to proceed to future lease payments is included in long-term debt, as described in Note 2.14. Lease arrangements classified as operating leases are arrangements in which the lessor retains a significant portion of the risks and rewards of ownership of the leased assets. Payments made under operating leases are charged to the consolidated statements of income on a straight-line basis over the lease period.

2.12 – Investments

The Company assesses each investment to determine whether the investee is a Variable Interest Entity ("VIE"). The Company consolidates the VIEs for which the Company is determined to be the primary beneficiary, as described in Note 2.9.

Investments in public companies that have readily determinable fair values and for which the Company does not have the ability to exercise significant influence are classified as trading or available-for-sale equity securities, as described in Note 2.22. Investments in equity securities without readily determinable fair values and for which the Company does not have the ability to exercise significant influence are accounted for under the cost-method. Under the cost-method of accounting, investments are carried at historical cost and are adjusted only for declines in value. The fair value of a cost-method investment is estimated on a non-recurring basis when there are identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. An impairment loss is immediately recorded in the consolidated statements of income when it is assessed to be other-than-temporary and is based on the Company's assessment of any significant and sustained reductions in the investment's fair value. For unquoted equity securities, assumptions and estimates used in measuring fair value include the use of recent arm's length transactions when they reflect the orderly exit price of the investments. Gains and losses on investments sold are determined on the specific identification method and are recorded as a non-operating element on the line "Gain (loss) on financial instruments, net" in the consolidated statements of income.

Equity-method investments are all entities over which the Company has the ability to exercise significant influence but not control, generally representing a shareholding of between 20% and 50% of the voting rights. These investments are valued under the equity-method and are initially recognized at cost. Goodwill on equity-method investments is included in the carrying value of the investment and is not individually tested for impairment. Equity-method investments also include entities which the Company determines to be VIEs, as described in Note 2.9, if the Company has the ability to exercise significant influence over the entity's operations even if the Company owns less than 20% and is not the primary beneficiary. The Company's share in the result of operations of equity-method investments is recognized in the consolidated statements of income on the line "Income (loss) on equity-method investments" and in the consolidated balance sheets as an adjustment to the carrying amount of the investments. Where there has been a change recognized directly in the equity of the investee, the Company recognizes its share in the adjustment, when applicable, directly in the consolidated statement of equity. The financial statements of the equity-method investments are prepared for the same reporting period as the Company or with a time lag not exceeding three months if the investee cannot issue financial statements within the closing timeframe requirements of the Company. At each period-end, the Company assesses whether there is objective evidence that its interests in equity-method investments are impaired. Once a determination is made that an other-than-temporary impairment exists, the Company writes down the carrying value of the equity-method investment to its fair value at the balance sheet date, which establishes a new cost basis. The fair value of an equity-method investment is measured on a non-recurring basis using primarily a combination of an income approach, based on discounted cash flows, and a market approach with financial metrics of comparable public companies.

2.13 – Provisions

In determining loss contingencies, the Company considers the likelihood of a loss of an asset or the incurrence of a liability as well as the ability to reasonably estimate the amount of such loss or liability. An estimated loss from a loss contingency is accrued by a charge to income when information available indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and when the amount of the loss can be reasonably estimated.

2.14 – Long-term debt

Bank loans and non-convertible senior bonds, are recognized at historical cost, net of transaction costs incurred. They are subsequently reported at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of income over the period of the borrowings using the effective interest rate method.

As described in Note 2.11, lease arrangements in which the Company has substantially all the risks and rewards of ownership are classified as capital leases. The Company reports the leased assets on the line "Property, plant and equipment, net" and recognizes a financial liability corresponding to the contractual obligation to proceed to future lease payments, which is included in long-term debt. Each lease payment is allocated between the debt repayment and interest expense.

Short-term debt is classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.15 – Employee benefits

(a) Pension obligations

The Company sponsors various pension schemes for its employees. These schemes conform to local regulations and practices in the countries in which the Company operates. Such plans include both defined benefit and defined contribution plans. For defined benefit pension plans, the liability recognized in the consolidated balance sheets is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The overfunded or underfunded status of the defined benefit plans are calculated as the difference between plan assets and the projected benefit obligations. Significant estimates are used in determining the assumptions incorporated in the calculation of the pension obligations, which is supported by input from independent actuaries. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. Past service costs are recognized immediately in earnings, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period. The net periodic benefit cost of the year is determined based on the assumptions used at the end of the previous year.

For defined contribution pension plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

The Company provides post-employment benefits to some of its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the related employees.

(c) Termination benefits

Termination benefits are payable when an employee is involuntarily terminated, or whenever an employee accepts voluntary termination in exchange for termination benefits. For the accounting treatment and timing recognition of involuntarily termination benefits, the Company distinguishes between one-time termination benefit arrangements and ongoing termination benefit arrangements. A one-time termination benefit arrangement is established by a termination plan and applies to a specified termination event. One-time involuntary termination benefits are recognized as a liability when the termination plan meets certain criteria and has been communicated to employees. If employees are required to render future service in order to receive these one-time termination benefits, the liability is recognized ratably over the future service period. Termination benefits other than one-time termination benefits are termination benefits for which the communication criterion is not met but that are committed to by management, or termination obligations that are not specifically determined in a new and single plan. These termination benefits are all legal, contractual and past practice termination obligations to be paid to employees in case of involuntary termination. These termination benefits are accrued for when commitment creates a present obligation to others for the benefits expected to be paid, when it is probable that employees will be entitled to the benefits and the amount can be reasonably estimated.

In case of special termination benefits related to voluntary redundancy programs, the Company recognizes a provision for voluntary termination benefits at the date on which the employee irrevocably accepts the offer and the amount can be reasonably estimated.

(d) Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing plans when it is contractually obliged or where there is a past practice that has created a present obligation.

(e) Other long-term employee benefits

The Company provides long-term employee benefits such as seniority awards in certain countries. The entitlement to these benefits is usually conditional on the employee completing a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to earnings in the period of change. These obligations are valued annually with the assistance of independent qualified actuaries.

(f) Share-based compensation

The Company grants unvested stock awards to senior executives and selected employees for free. Until 2012, the members and professionals of the Supervisory Board received share options with an exercise price equal to the par value of the shares (Euro 1.04). The awards granted to employees vest upon completion of an average three-year service period. For certain employees, awards contingently vest upon achieving three performance conditions. The awards granted to the Supervisory Board vested unconditionally along the same vesting period as employees but were not forfeited even if the service period was not completed. The Company measures the cost of the awards based on the grant-date fair value of the shares. That cost is recognized over the period during which an employee is required to provide service in exchange for the award or the requisite service period, usually the vesting period. Compensation is recognized only for the awards that ultimately vest. The compensation cost is recorded through earnings against equity, under "Capital surplus" in the consolidated statements of equity. The compensation cost is calculated based on the number of awards expected to vest, which includes assumptions on the number of awards to be forfeited due to the employees' failing to fulfill the service condition, and forfeitures following the non-completion of one or more performance conditions.

Liabilities for the Company's portion of payroll taxes are recognized at vesting, which is the event triggering the payment of the social contributions in most of the Company's local tax jurisdictions. Employee-related social charges are measured based on the intrinsic value of the share at vesting date.

2.16 – Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its equity share capital (treasury stock), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received net of directly attributable incremental transaction costs and the related income tax effect is included in equity.

2.17 – Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity of a business during a period except those changes resulting from investment by stockholders and distributions to stockholders. In the accompanying consolidated financial statements, "Other comprehensive income (loss)" and "Accumulated other comprehensive income" primarily consists of temporary unrealized gains (losses) on securities classified as available-for-sale, unrealized gains (losses) on derivatives designated as cash flow hedge and the impact of recognizing the funded status of defined benefit plans, as well as foreign currency translation adjustments, net of tax.

2.18 – Revenue Recognition

Revenue is recognized as follows:

Net sales

Revenue from products sold to customers is recognized when all the following conditions have been met: (a) persuasive evidence of an arrangement exists; (b) delivery has occurred; (c) the selling price is fixed or determinable; and (d) collection is reasonably assured. This usually occurs at the time of shipment.

Consistent with standard business practice in the semiconductor industry, price protection is granted to distribution customers on their existing inventory of the Company's products to compensate them for declines in market prices. The ultimate decision to authorize a distributor refund remains fully within the control of the Company. The Company accrues a provision for price protection based on a rolling historical price trend computed on a monthly basis as a percentage of gross distributor sales. This historical price trend represents differences in recent months between the invoiced price and the final price to the distributor, adjusted if required, to accommodate a significant change in the current market price. The short outstanding inventory time period, visibility into the standard inventory product pricing and long distributor pricing history have enabled the Company to reliably estimate price protection provisions at period-end. The Company records the accrued amounts as a deduction of revenue at the time of the sale.

The Company's customers occasionally return the Company's products for technical reasons. The Company's standard terms and conditions of sale provide that if the Company determines that products do not conform, the Company will repair or replace the non-conforming products, or issue a credit note or rebate of the purchase price. Quality returns are not related to any technological obsolescence issues and are identified shortly after sale in customer quality control testing. Quality returns are usually associated with end-user customers, not with distribution channels. The Company provides for such returns when they are considered probable and can be reasonably estimated. The Company records the accrued amounts as a reduction of revenue.

The Company's insurance policy relating to product liability only covers physical and other direct damages caused by defective products. The Company carries limited insurance against immaterial non consequential damages. The Company records a provision for warranty costs as a charge against cost of sales, based on historical trends of warranty costs incurred as a percentage of sales, which management has determined to be a reasonable estimate of the probable losses to be incurred for warranty claims in a period. Any potential warranty claims are subject to the Company's determination that the Company is at fault for damages, and such claims usually must be submitted within a short period of time following the date of sale. This warranty is given in lieu of all other warranties, conditions or terms expressed or implied by statute or common law. The Company's contractual terms and conditions typically limit its liability to the sales value of the products which gave rise to the claims.

While the majority of the Company's sales agreements contain standard terms and conditions, the Company may, from time to time, enter into agreements that contain multiple elements or non-standard terms and conditions, which require revenue recognition judgments. Where multiple elements exist in an arrangement, the arrangement is allocated to the different elements based on vendor-specific objective evidence, third party evidence or management's best estimate of the selling price of the separable deliverables. These arrangements generally do not include performance-, cancellation-, termination- or refund-type provisions.

Revenues under multiple deliverable arrangements

The Company, from time to time, enters into agreements with multiple deliverables. The Company entered into certain agreements related to the licensing of manufacturing processes which include the delivery of a) licenses and process documentation and b) various training and implementation support. In the current agreements, the delivery of each instance of process documentation, as well as the training and support, are considered to be separate units of accounting. The timing of services in these arrangements varies depending on the contractual terms, but revenue is recognized either prorata for short duration service periods, or as the specific services are rendered for longer duration service periods, as appropriate.

As these manufacturing processes are not normally sold by the Company or other similar manufacturers, the valuation is based on best estimates of selling prices for such deliverables. These best estimates are determined by the groups responsible for the negotiation of the agreements and are primarily based on either: a) the total amount of the agreement, assuming that subsequent services are insignificant to the sale of the license and process documentation, b) cash payments to be paid by the customer in advance of delivery prior to incurring related services or training and/or c) information derived from the negotiation process between the Company and the customer. Training and support are valued based on past history of similar services or the group's determined value based on a cost plus analysis.

The actual and past revenues for multiple deliverable arrangements are:

In millions of U.S. dollars	2013	2012	2011
Licenses and process documentation	—	9	56
Training and support services	2	9	14
Total Revenues under Multiple Deliverable Arrangements	2	18	70

Due to the long nature of some of the payments in these agreements, some revenue is deferred until collectability is reasonably assured.

Other revenues

Other revenues consist of license revenue, service revenue related to transferring licenses, patent royalty income, sale of scrap materials and manufacturing by-products.

Funding

The Company receives funding mainly from governmental agencies and income is recognized when all contractual conditions for receipt of these funds are fulfilled. The Company's primary sources for government funding are French, Italian & other European Union ("EU") governmental entities. Such funding is generally provided to encourage research and development activities, industrialization and local economic development. The conditions for receipt of government funding may include eligibility restrictions, approval by EU authorities, annual budget appropriations, compliance with European Commission regulations, as well as specifications regarding objectives and results. Certain specific contracts contain obligations to maintain a minimum level of employment and investment during a certain period of time. There could be penalties if these objectives are not fulfilled. Other contracts contain penalties for late deliveries or for breach of contract, which may result in repayment obligations. Funding related to these contracts is recorded when the conditions required by the contracts are met. The Company's funding programs are classified under three general categories: funding for research and development activities, capital investment, and loans.

Funding for research and development activities is the most common form of funding that the Company receives. Public funding for research and development is recorded as "Other income and expenses, net" in the Company's consolidated statements of income. Public funding for research and development is recognized ratably as the related costs are incurred once the agreement with the respective governmental agency has been signed and all applicable conditions are met. Furthermore, following the enactment of the French Finance Act for 2008, which included several changes to the research tax credit regime ("Crédit Impôt Recherche"), French research tax credits are deemed to be grants in substance. Unlike other research and development funding, the amounts to be received are determinable in advance and accruable as the funded research expenditures are made. They are thus reported as a reduction of research and development expenses. The research tax credits are to be paid in cash by the French tax authorities within three years in case they are not deducted from income tax payable during this period of time.

Capital investment funding is recorded as a reduction of "Property, plant and equipment, net" and is recognized in the Company's consolidated statements of income according to the depreciation charges of the funded assets during their useful lives. The Company also receives capital funding in Italy, which could be recovered through the reduction of various governmental liabilities, including income taxes, value-added tax and employee-related social charges.

Funding receivables are reported as non-current assets unless cash settlement features of the receivables evidence that collection is expected within one year. Long-term receivables that do not present any tax attribute or legal restriction are reflected in the balance sheets at their discounted net present value. The subsequent accretion of the discounting effect is recorded as non-operating income in "Interest income (expense), net".

The Company receives certain loans, mainly related to large capital investment projects, at preferential interest rates. The Company records these loans as debt in its consolidated balance sheets.

2.19 – Advertising costs

Advertising costs are expensed as incurred and are recorded as selling, general and administrative expenses. Advertising expenses for 2013, 2012 and 2011 were $11 million, $12 million and $12 million, respectively.

2.20 – Research and development

Research and development expenses include costs incurred by the Company, the Company's share of costs incurred by other research and development interest groups, and costs associated with co-development contracts. Research and development expenses do not include marketing design center costs, which are accounted for as selling expenses and process engineering, pre-production or process transfer costs which are recorded as cost of sales. Research and development costs are expensed as incurred. The amortization expense recognized on technologies and licenses purchased by the Company from third parties to facilitate the Company's research is reported as research and development expenses. Research and development expenses are reported net of research tax credits received in the French jurisdiction, as described in Note 2.18.

2.21 – Start-up and phase-out costs

Start-up costs represent costs incurred in the start-up and testing of the Company's new manufacturing facilities, before reaching the earlier of a minimum level of production or six-months after the fabrication line's quality qualification. The costs of phase-outs are associated with the latest stages of facilities closure when the relevant production volumes become immaterial. Start-up costs and phase-out costs are included in "Other income and expenses, net" in the consolidated statements of income.

2.22 – Financial assets

The Company did not hold at December 31, 2013 and 2012 any financial assets classified as held-to-maturity or financial assets for which the Company would have elected to apply the fair value option. Consequently, the Company classified its financial assets in the following categories: trading and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Unlisted equity securities with no readily determinable fair value are carried at cost, as described in Note 2.12. They are neither classified as held-for-trading nor as available-for-sale.

Purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets classified as available-for-sale and as trading are initially recognized and subsequently carried at fair value. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership; the relevant gain (loss) is reported as a non-operating element on the consolidated statements of income on the line "Gain (loss) on financial instruments, net". The basis on which the cost of a security sold and the amount reclassified out of accumulated other comprehensive income into earnings is the specific identification method.

The fair values of quoted debt and equity securities are based on current market prices. If the market for a financial asset is not active and if no observable market price is obtainable, the Company measures fair value by using assumptions and estimates. These assumptions and estimates include the use of recent arm's length transactions; for debt securities without available observable market prices, the Company establishes fair value by reference to publicly available indices of securities with the same rating and comparable or similar underlying collaterals or industries' exposure, which the Company believes approximates the amount that would be received from the sale of the asset in an orderly transaction between market participants at the measurement date. In measuring fair value, the Company makes maximum use of market inputs and minimizes the use of unobservable inputs.

Trading financial assets

A financial asset is classified in this category if it is a security acquired principally for the purpose of selling in the short term or if it is a derivative instrument not designated as a hedge. Financial assets in this category are classified as current assets when they are expected to be realized within twelve months of the balance sheet date. Marked-to-market gains or losses arising from changes in the fair value of trading financial assets are reported in the consolidated statements of income within “Other income and expenses, net” in the period in which they arise, when the transactions for such instruments occur within the Company’s operating activities, as it is the case for trading derivatives that do not qualify as hedging instruments, as described in Note 2.23. Gains and losses arising from changes in the fair value of financial assets not related to operating activities, are presented in the consolidated statements of income as a non-operating element within “Gain (loss) on financial instruments, net” in the period in which they arise.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified as held-for-trading. They are included in current assets when they represent investments of funds available for current operations or when management intends to dispose of the securities within twelve months of the balance sheet date.

Changes in fair value, including declines determined to be temporary, of securities classified as available-for-sale are recognized as a component of “Other comprehensive income (loss)” in the consolidated statements of comprehensive income.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets classified as available-for-sale is impaired. When equity securities classified as available-for-sale are determined to be other-than-temporarily impaired, the accumulated fair value adjustments previously recognized in comprehensive income are reported as a non-operating element on the consolidated statements of income on the line “Other-than-temporary impairment charge and realized gains (losses) on financial assets”. For debt securities, if a credit loss exists, but the Company does not intend to sell the impaired security and is not more likely than not to be required to sell before recovery, the impairment is separated into the estimated amount relating to credit loss, and the amount relating to all other factors of declines in fair value. Only the estimated credit loss amount is recognized currently in earnings on the line “Other-than-temporary impairment charge and realized gains (losses) on financial assets”, with the remainder of the loss amount recognized in accumulated other comprehensive income (loss). Impairment losses recognized in the consolidated statements of income are not reversed through earnings.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments previously recognized in comprehensive income are reported as a non-operating element on the consolidated statements of income on the line “Gain (loss) on financial instruments, net”. The cost of securities sold and the amount reclassified out of accumulated other comprehensive income into earnings is determined based on the specific identification of the securities sold.

2.23 – Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized on the date a derivative contract is entered into and are subsequently measured at fair value. The method of recognizing the gain or loss resulting from the derivative instrument depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedge transaction. The Company has designated certain derivatives as hedges of a particular risk associated with a highly probable forecasted transaction (cash flow hedge).

The Company documents, at inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. Derivative instruments that are not designated as hedges are classified as trading financial assets, as described in Note 2.22.

Derivative financial instruments classified as trading

The Company conducts its business on a global basis in various major international currencies. As a result, the Company is exposed to adverse movements in foreign currency exchange rates. The Company enters into foreign currency forward contracts and currency options to reduce its exposure to changes in exchange rates and the associated risk arising from the denomination of certain assets and liabilities in foreign currencies at the Company's subsidiaries. These instruments do not qualify as hedging instruments, and are marked-to-market at each period-end with the associated changes in fair value recognized in "Other income and expenses, net" in the consolidated statements of income, as described in Note 2.22.

Cash Flow Hedge

To reduce its exposure to U.S. dollar exchange rate fluctuations, the Company hedges certain Euro-denominated forecasted transactions that cover at reporting date a large part of its research and development, selling, general and administrative expenses as well as a portion of its front-end manufacturing costs of semi-finished goods through the use of currency forward contracts and currency options, including collars. The Company also hedges through the use of currency forward contracts certain Singapore dollar-denominated manufacturing forecasted transactions. As part of its ongoing operating, investing and financing activities, the Company may from time to time enter into certain derivative transactions that are designated and qualify as a cash flow hedge.

The derivative instruments are designated and qualify for cash flow hedge at inception of the contract and on an ongoing basis over the duration of the hedge relationship. They are reflected at their fair value in the consolidated balance sheets. The criteria for designating a derivative as a hedge include the instrument's effectiveness in risk reduction and, in most cases, a one-to-one matching of the derivative instrument to its underlying transaction with the critical terms of the hedging instrument matching the terms of the hedged forecasted transaction. This enables the Company to conclude that changes in cash flows attributable to the risk being hedged are expected to be completely offset by the hedging instruments.

For derivative instruments designated as cash flow hedge, the change in fair value from the effective portion of the hedge is reported as a component of "Other comprehensive income (loss)" in the consolidated statements of comprehensive income and is reclassified into earnings in the same period in which the hedged transaction affects earnings, and within the same consolidated statements of income line as the hedged transaction. For these derivatives, ineffectiveness appears if the cumulative gain or loss on the derivative hedging instrument exceeds the cumulative change in the expected future cash flows on the hedged transactions. Effectiveness on transactions hedged through purchased options is measured on the full fair value of the option, including time value.

When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in "Accumulated other comprehensive income (loss)" in the consolidated statements of equity is immediately transferred to the consolidated statements of income within "Other income and expenses, net" if the de-designated derivative relates to operating activities. If upon de-designation, the derivative instrument is held in view to be sold with no direct relation with current operating activities, changes in the fair value of the derivative instrument following de-designation are reported as a non-operating element on the line "Gain (loss) on financial instruments, net" in the consolidated statements of income. If the derivative is still related to operating activities, the changes in fair value subsequent to the discontinuance continue to be reported within "Other income and expenses, net" in the consolidated statements of income, as described in Note 2.22.

In order to optimize its hedging strategy, the Company can be required to cease the designation of certain cash flow hedge transactions and enter into a new designated cash flow hedge transaction with the same hedged forecasted transaction but with a new hedging instrument. De-designation and re-designation are formally authorized and limited to the de-designation of purchased currency options with re-designation of the cash flow hedge through subsequent forward contracts when the Euro/U.S. dollar exchange rate is decreasing, the intrinsic value of the option is nil, the hedged transaction is still probable of occurrence and meets at re-designation date all criteria for hedge accounting. At de-designation date, the net derivative gain or loss related to the de-designated cash flow hedge continues to be reported in other comprehensive income. From de-designation date, the change in fair value of the de-designated hedging item is recognized each period in the consolidated statements of income on the line “Other income and expenses, net”, as described in Note 2.22. The net derivative gain or loss related to the de-designated cash flow hedge deferred in other comprehensive income is reclassified to earnings in the same period in which the hedged transaction affects earnings, and within the same consolidated statements of income line as the hedged transaction.

2.24 – Recent accounting pronouncements

(a) Accounting pronouncements effective in 2013

In December 2011, the FASB issued new guidance on disclosures about offsetting assets and liabilities. Entities with balances presented on a net basis in the financial statements shall disclose both gross and net information about instruments and transactions eligible for offset in the consolidated balance sheet as well as instruments and transactions subject to an agreement similar to a master netting arrangement. In February 2013, the FASB issued a guidance clarifying the scope of disclosures about offsetting assets and liabilities by limiting such scope to derivatives, repurchase agreements and securities lending transactions to the extent that they are offset in the financial statements or subject to an enforceable master netting agreement. The Company adopted the new guidance in 2013 and disclosures are included in Note 23.

In February 2013, the FASB issued new guidance on reporting amounts reclassified out of accumulated other comprehensive income. The new guidance requires that the effect of significant amounts reclassified from each component of accumulated other comprehensive income be presented either in a single note or parenthetically on the face of the financial statements, based on its source and the income statement line items affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, companies would instead cross reference to the related footnote for additional information. The Company adopted the new guidance in 2013 and reported amounts reclassified out of accumulated other comprehensive income in Note 15.

In July 2013, the FASB issued guidance on how to present an unrecognized tax benefit (“UTB”) when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Under the new guidance, UTBs will be netted against all available same-jurisdiction losses or other tax carryforwards that would be utilized. The new guidance must be adopted prospectively, but optional retrospective adoption for all periods presented is allowed. The guidance is effective for annual and interim reporting periods beginning after December 15, 2013, with early adoption permitted. The Company early adopted the guidance as at December 31, 2013, on a prospective basis. The impact of the new guidance upon adoption was the presentation of $229 million unrecognized tax benefits against existing net operating loss carryforward available in four tax jurisdictions, reported on the line “Non-current deferred tax assets” of the consolidated balance sheet as at December 31, 2013.

(b) Accounting pronouncements expected to impact the Company’s operations that are not yet effective and have not been adopted early by the Company

In March 2013, the FASB issued new guidance on obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date. An entity should recognize the respective portion of the obligation it agrees to pay among its co-obligors and assess any additional amounts it expects to pay related to amounts borrowed by its co-obligors applying the measurement principles of the contingencies model under ASC 450. Enhanced disclosures similar to those required for financial guarantees will be required for those obligations. The guidance is effective for interim and annual periods beginning after December 15, 2013, with early adoption permitted. The Company will adopt the new guidance when effective and does not expect any significant impact of this adoption.

In March 2013, the FASB issued clarified guidance on whether, when and how to release cumulative translation adjustment (“CTA”) into earnings in various deconsolidation and consolidation transactions. Complete or substantially complete liquidation of a foreign entity is required to release CTA for transactions occurring within a foreign entity. Transactions impacting investments in the foreign entity may result in a full or partial release of CTA even though complete or substantially complete liquidation of the foreign entity has not occurred. For transactions involving step acquisitions, the CTA associated with the previous equity-method investment will be fully released when control is obtained and consolidation occurs. The guidance is effective for fiscal years beginning after December 15, 2013, with early adoption permitted. The Company will adopt the guidance when effective.

3. MARKETABLE SECURITIES

Changes in the value of marketable securities, as reported in current assets on the consolidated balance sheets as at December 31, 2013 and December 31, 2012 are detailed in the tables below:

In millions of U.S. dollars	December 31, 2012	Purchase	Sale	Change in fair value included in OCI* for available-for-sale marketable securities	Change in fair value recognized in earnings	Foreign exchange result through OCI*	**December 31, 2013**
Debt securities issued by the U.S. Treasury	150	—	(150)	—	—	—	**—**
Senior debt Floating Rate Notes issued by financial institutions	88	—	(34)	—	—	3	**57**
Total	**238**	**—**	**(184)**	**—**	**—**	**3**	**57**

* Other Comprehensive Income

In millions of U.S. dollars	December 31, 2011	Purchase	Sale	Change in fair value included in OCI* for available-for-sale marketable securities	Change in fair value recognized in earnings	Foreign exchange result through OCI*	**December 31, 2012**
Debt securities issued by the U.S. Treasury	100	450	(400)	—	—	—	**150**
Debt securities issued by foreign governments	81	—	(81)	—	—	—	**—**
Fixed rate debt securities issued by financial institutions	27	—	(25)	—	—	(2)	**—**
Senior debt Floating Rate Notes issued by financial institutions	205	—	(124)	6	1	—	**88**
Total	**413**	**450**	**(630)**	**6**	**1**	**(2)**	**238**

* Other Comprehensive Income

The U.S. Treasury Bills amounting to $150 million as of December 31, 2012 were sold in 2013. They were rated Aaa by Moody’s as at December 31, 2012. The change in fair value of these marketable securities was not material as at December 31, 2012. The Company estimated the fair value of these financial assets based on publicly quoted market prices, which corresponded to a Level 1 fair value measurement hierarchy.

All securities were classified as available-for-sale and recorded at fair value, with changes in fair value recognized as a separate component of the consolidated statements of comprehensive income, except for those declines deemed to be other-than-temporary.

Only two investment positions in Senior debt Floating Rate Notes, with an average rating of Baa2/A-/A, were outstanding as at December 31, 2013, with a duration of 0.05 year. Due to the short duration before maturity, the value of the securities as at December 31, 2013 corresponded to par value; no credit loss was identified on these instruments and the cumulative change in fair value recognized as a separate component of "Accumulated other comprehensive income (loss)" in the consolidated statement of equity was not material as at December 31, 2013. The Company estimated the fair value of these financial assets based on publicly quoted market prices, which corresponds to a Level 1 fair value measurement hierarchy. The aggregate amortized cost basis of these securities totalled $57 million and $89 million as at December 31, 2013 and December 31, 2012, respectively.

As at December 31, 2011, the Company held $5 million in Euro-denominated senior unsecured bonds issued by Lehman Brothers, for an original investment of Euro 15 million. Those debt securities were sold in 2012, generating cash proceeds totalling $5 million. The gain, which was not material, was reported on the line "Gain on financial instruments, net" on the consolidated statement of income for the year ended December 31, 2012.

The debt securities were reported as current assets on the line "Marketable Securities" on the consolidated balance sheet as at December 31, 2013, since they represented investments of funds available for current operations.

4. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivable, net consisted of the following:

	December 31, 2013	December 31, 2012
Trade accounts receivable	**1,058**	1,015
Allowance for doubtful accounts	**(9)**	(10)
Total	**1,049**	**1,005**

Bad debt expense in 2013, 2012, and 2011 was $2 million, $1 million and $1 million, respectively. In 2013 and 2012 none of the customers represented over 10% of consolidated net revenues while in 2011, one customer, the Nokia group of companies, represented 10.4% of consolidated net revenues.

The Company enters into factoring transactions to accelerate the realization in cash of some trade accounts receivable. As at December 31, 2013 and 2012, trade accounts receivable were sold without recourse for $56 million and $127 million respectively. Such factoring transactions totaled respectively $570 million and $1,143 million for the years 2013 and 2012, with a financial cost totaling $2 million, $4 million and $3 million respectively for the years 2013, 2012 and 2011, reported on the line "Interest expense, net" on the consolidated statement of income.

5. INVENTORIES

Inventories are stated at the lower of cost or market value. Cost is based on the weighted average cost by adjusting standard cost to approximate actual manufacturing costs on a quarterly basis; the cost is therefore dependent on the Company's manufacturing performance. In the case of underutilization of manufacturing facilities, the costs associated with the excess capacity are not included in the valuation of inventories but charged directly to cost of sales.

Reserve for obsolescence is estimated for excess uncommitted inventories based on the previous quarter's sales, backlog of orders and production plans.

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Inventories, net of reserve, consisted of the following:

	December 31, 2013	December 31, 2012
Raw materials	**84**	78
Work-in-process	**885**	941
Finished products	**367**	334
Total	**1,336**	**1,353**

6. OTHER CURRENT ASSETS

Other current assets consisted of the following:

	December 31, 2013	December 31, 2012
Receivables from government agencies	**127**	156
Taxes and other government receivables	**56**	68
Advances	**46**	84
Prepayments	**54**	74
Loans and deposits	**13**	15
Interest receivable	**1**	1
Derivative instruments	**43**	36
Receivables from equity-method investments	**8**	16
Other current assets	**41**	68
Total	**389**	**518**

Derivative instruments are further described in Note 23.

7. GOODWILL

Goodwill allocated to reportable segments as of December 31, 2013 and 2012 and changes in the carrying amount of goodwill during the years ended December 31, 2013 and 2012 are as follows:

	Sense & Power and Automotive (SP&A)	Embedded Processing Solutions (EPS)	Others	Total
December 31, 2011	**11**	**1,043**	**5**	**1,059**
Business Combinations	**1**	**—**	**—**	**1**
Foreign currency translation	**—**	**3**	**—**	**3**
Impairment loss	**—**	**(922)**	**—**	**(922)**
December 31, 2012	**12**	**124**	**5**	**141**
Sale of business	**—**	**—**	**(5)**	**(5)**
Re-classification to AHFS	**(10)**	**—**	**—**	**(10)**
Foreign currency translation	**—**	**2**	**—**	**2**
Impairment loss	**—**	**(38)**	**—**	**(38)**
December 31, 2013	**2**	**88**	**—**	**90**

Goodwill as at December 31, 2013 is net of accumulated impairment losses of $1,024 million, of which $1,018 million relates to the EPS segment and $6 million relates to the segment “Others”. Goodwill as at December 31, 2012 is net of accumulated impairment losses of $986 million, of which $980 million relates to the EPS segment and $6 million relates to the segment “Others”.

In 2012, the Company recorded on Wireless goodwill an impairment loss totalling $922 million.

During the third quarter of 2013, the Company performed its annual impairment campaign. The Company did not elect to perform a qualitative assessment on any of its tested reporting units. The impairment test was conducted following a two-step process. In the first step, the Company compared the fair value of the reporting unit to its carrying value. Based upon the first step of the goodwill impairment test, no impairment was recorded for the AMS (part of SP&A) and MMS (part of EPS) reporting units since the fair value of the reporting units exceeded their carrying values. However, based upon step one, it was necessary to conduct the second step of the impairment test for the DCG reporting unit whose estimated fair value was lower than its carrying value. Before performing the second step of the goodwill impairment test, the dedicated long-lived assets of DCG were tested for impairment. The result was that all dedicated intangible assets, amounting to $18 million, were fully impaired due to the negative cash flow projected over their remaining useful life. Regarding the tangible fixed assets, their fair value was essentially equal to their carrying value. The second step of the goodwill impairment test required a determination of the implied fair value of goodwill in a manner similar to a purchase price allocation exercise, and therefore to determine the fair value of all assets and liabilities of the DCG reporting unit. These fair values are considered only to determine the impairment charge but are not booked. In determining the fair value of the DCG reporting unit, the Company used an estimate of the expected discounted future cash flows associated with the reporting unit on the basis of a plan that included management’s best estimate about future developments and scenarios of the reporting unit. No other unrecorded intangible assets have been identified and the implied fair value of goodwill is nil leading to an impairment charge for the third quarter of 2013 of $38 million. In summary, as a result of the impairment campaign, a non-cash impairment of $18 million relating to the dedicated intangible assets of the DCG reporting unit and a non-cash impairment of $38 million relating to the remaining goodwill of the DCG reporting unit were recorded.

Veredus, a 67% investment of the Company, has been classified as Assets held for sale as of December 31, 2013. Consequently, Veredus goodwill, belonging to the SP&A segment, was re-classified to Assets held for sale for $10 million as of December 31, 2013. On January 13, 2014, the Company sold a 50% stake in Veredus shares to a third party investor.

8. OTHER INTANGIBLE ASSETS

Other intangible assets consisted of the following:

December 31, 2013	Gross Cost	Accumulated Amortization	Net Cost
Technologies & licences	616	(484)	132
Contractual customer relationships	5	(5)	—
Purchased software	338	(290)	48
Construction in progress	37	—	37
Other intangible assets	62	(62)	—
Total	1,058	(841)	217

December 31, 2012	Gross Cost	Accumulated Amortization	Net Cost
Technologies & licences	742	(630)	112
Contractual customer relationships	13	(11)	2
Purchased software	356	(312)	44
Construction in progress	39	—	39
Other intangible assets	104	(88)	16
Total	1,254	(1,041)	213

The line “Construction in progress” in the table above includes internally developed software under construction and software not ready for use.

The line “Other intangible assets” consists primarily of internally developed software. The amortization expense on capitalized software costs in 2013, 2012 and 2011 was $17 million, $38 million and $33 million, respectively.

During the third quarter of 2013, an impairment test was performed on the DCG reporting unit, as detailed in Note 7. Prior to conducting the impairment test on goodwill, the Company evaluated the recoverability of the long-lived assets dedicated to the DCG reporting unit, including acquired technologies and capitalized software. Recoverability of these intangible assets was assessed based on the undiscounted future cash flows expected to result from their use. Based on management's best estimates about future developments and scenarios of the DCG reporting unit, as well as assumptions on alternative future use, the Company concluded that the undiscounted future cash flows were less than the carrying value. Therefore, these intangible assets were considered to be impaired. The amount of the impairment loss was measured as the difference between the carrying amount of these assets and the fair value based on a discounted cash flow approach. The impairment on intangible assets totaled $18 million and was composed of $17 million impairment on acquired technologies and $1 million impairment on capitalized software.

Veredus, a 67% investment of the Company, has been classified as Assets held for sale as of December 31, 2013. Consequently, Veredus intangibles were re-classified to Assets held for sale for $11 million as of December 31, 2013. On January 13, 2014, the Company sold a 50% stake in Veredus shares to a third party investor.

The amortization expense in 2013, 2012 and 2011 was $72 million, $177 million and $211 million, respectively.

The estimated amortization expense of the existing intangible assets for the following years is:

Year	
2014	**64**
2015	**55**
2016	**45**
2017	**26**
2018	**13**
Thereafter	**14**
Total	**217**

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

December 31, 2013	Gross Cost	Accumulated Depreciation	Net Cost
Land	**94**	**—**	**94**
Buildings	**987**	**(429)**	**558**
Facilities & leasehold improvements	**3,218**	**(2,826)**	**392**
Machinery and equipment	**14,684**	**(12,728)**	**1,956**
Computer and R&D equipment	**463**	**(414)**	**49**
Other tangible assets	**137**	**(121)**	**16**
Construction in progress	**91**	**—**	**91**
Total	**19,674**	**(16,518)**	**3,156**

December 31, 2012	Gross Cost	Accumulated Depreciation	Net Cost
Land	**93**	**—**	**93**
Buildings	**966**	**(395)**	**571**
Facilities & leasehold improvements	**3,151**	**(2,649)**	**502**
Machinery and equipment	**14,553**	**(12,363)**	**2,190**
Computer and R&D equipment	**504**	**(451)**	**53**
Other tangible assets	**165**	**(145)**	**20**
Construction in progress	**52**	**—**	**52**
Total	**19,484**	**(16,003)**	**3,481**

The line "Construction in progress" in the table above includes property, plant and equipment under construction and equipment under qualification before operating.

Facilities & leasehold improvements, Machinery and equipment and Other tangible assets include assets acquired under capital lease. The Net Cost of Assets under capital lease for the years ended December 31, 2013 and 2012 was $1 million and $3 million, respectively.

The depreciation charge in 2013, 2012 and 2011 was $838 million, $930 million and $1,068 million, respectively.

Capital investment funding has totaled $3 million for the year ended December 31, 2013, $1 million for the year ended December 31, 2012 and $11 million for the year ended December 31, 2011. Public funding reduced depreciation charges by $6 million, $10 million and $12 million in 2013, 2012 and 2011, respectively.

For the years ended December 31, 2013, 2012 and 2011 the Company made equipment sales for cash proceeds of $12 million, $16 million and $26 million, respectively.

10. LONG-TERM INVESTMENTS

	December 31, 2013	**December 31, 2012**
Equity-method investments	**63**	106
Cost-method investments	**13**	13
Total	**76**	119

Equity-method investments

Equity-method investments as at December 31, 2013 and December 31, 2012 were as follows:

In millions of U.S. dollars, except percentages	December 31, 2013		December 31, 2012	
	Carrying value	Ownership percentage	Carrying value	Ownership percentage
ST-Ericsson AT SA	—	—	9	49.0%
ST-Ericsson SA	50	50.0%	—	—
3Sun S.r.l.	13	33.3%	91	33.3%
MicroOLED SAS	—	39.6%	6	39.6%
Total	**63**		**106**	

ST-Ericsson AT SA ("JVD") and ST-Ericsson SA ("JVS")

On February 3, 2009, the Company announced the closing of a transaction to combine the businesses of Ericsson Mobile Platforms and ST-NXP Wireless into a new venture, named ST-Ericsson. As part of the transaction, the Company received an interest in both ST-Ericsson Holding AG (parent of "JVS" group of companies) and ST-Ericsson AT Holding AG (parent of "JVD" group of companies) in which the Company owned respectively 50% plus a controlling share and 50% less a controlling share held by Ericsson. In 2010, ST-Ericsson Holding AG and ST-Ericsson AT Holding AG were merged in ST-Ericsson SA and ST-Ericsson AT SA respectively.

The Company evaluated that both JVS and JVD were variable interest entities. The Company determined that it controlled JVS and therefore consolidated JVS, but that it was not the primary beneficiary of JVD and therefore accounted for its investment in JVD under the equity-method.

On August 2, 2013, the Company sold its JVD shares to Ericsson for the value of its equity investment in JVD ($4 million), leading to the de-recognition of its equity investment in JVD.

On September 9, 2013, the Company sold 1 JVS share to Ericsson for its nominal value changing the ownership structure of JVS to bring both partners to an equal ownership proportion. As a result and in combination with the new shareholder agreement, the Company lost the control of JVS and as such JVS was deconsolidated from the Company's financial statements. The deconsolidation of JVS did not result in a gain or loss for the Company. The fair value of the Company's retained noncontrolling interest was evaluated at $55 million. Due to the loss pick-up recognized during the fourth quarter 2013, the value of the investment amounted to $50 million as of December 31, 2013. In addition, the Company and its partner signed funding commitment letters, capped at $149 million each partner, to the residual joint wind-down operations to ensure solvency. These are not drawn as of December 31, 2013.

Before the deconsolidation of JVS, certain assets and companies of the JVS group of companies were transferred to both partners for their net book value which was representative of their fair value. The transactions did not result in cash exchange between the partners.

3Sun S.r.l. ("3Sun")

3Sun is a joint initiative between Enel Green Power, Sharp and the Company for the manufacture of thin film photovoltaic panels in Catania, Italy. Each partner owns a third of the common shares of the entity. The Company has determined that 3Sun is not a VIE. However the Company exercises a significant influence over 3Sun and consequently accounts for its investment in 3Sun under the equity-method.

In 2013, the Company participated for €19 million in 3Sun's equity increase, out of which €9 million as a loan conversion to equity.

Taking into consideration the latest business developments, the generated losses and its current financial situation, 3Sun recorded in the second quarter of 2013 an impairment charge of €159 million in addition to its operating losses, out of which $69 million was recognized by the Company. For the year 2013, the line "Loss on equity-method investments" in the Company's consolidated statement of income included a charge of $35 million related to 3Sun, in addition to the $69 million of impairment. As of December 31, 2013, the Company's maximum exposure to loss as a result of its involvement with 3Sun was limited to its equity-method investment amounting to $13 million and a shareholder's loan amounting to $17 million and, under certain conditions, to participate to a share capital increase up to €7 million.

MicroOLED S.A.S. ("MicroOLED")

In the third quarter 2012, the Company invested approximately $7 million in shares of MicroOLED, obtaining 39.6% of the voting rights. MicroOLED is based in Grenoble, France and develops OLED micro-displays. The Company has determined that $4 million out of the total value of its investment is a basis difference created by the identification of technology intangibles in MicroOLED. The Company accounts for its share of results in MicroOLED with a quarter lag. Due to the uncertainty associated with the ability of MicroOLED to continue as a going concern, the full residual value of the investment amounting to $4.1 million was impaired during the third quarter of 2013.

The summarized financial information of the Company's equity-method investments as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 is presented below:

In millions of U.S. dollars	December 31, 2013	December 31, 2012
Current assets	266	121
Non-current assets	287	573
Current liabilities	178	168
Non-current liabilities	249	297

In millions of U.S. dollars	2013	2012	2011
Total revenues	282	422	255
Operating income (loss)	(271)	(51)	(10)
Net income (loss)	(282)	(103)	(11)

Cost-method investments

Cost-method investments as at December 31, 2013 and 2012 are equity securities with no readily determinable fair value. It includes principally the Company's investment in DNP Photomask Europe S.p.A ("DNP"). The Company has identified the joint venture as a VIE, but has determined that it is not the primary beneficiary. The significant activities of DNP revolve around the creation of masks and development of high level mask technology. The Company does not have the power to direct such activities. The Company's current maximum exposure to loss as a result of its involvement with the joint venture is limited to its investment. The Company has not provided additional financial support in 2013 and currently has no requirement or intent to provide further financial support to the joint venture.

11. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of the following:

	December 31, 2013	December 31, 2012
Available-for-sale equity securities	**11**	10
Trading equity securities	**8**	8
Long-term State receivables	**513**	470
Long-term receivables from third parties	**7**	2
Long-term loans to affiliates	**17**	28
Prepaid for pension	**10**	5
Deposits and other non-current assets	**34**	37
Total	**600**	**560**

Long-term State receivables include receivables related to funding and receivables related to tax refund. Funding are mainly public grants to be received from governmental agencies in Italy and France as part of long-term research and development, industrialization and capital investment projects. Long-term receivables related to tax refund correspond to tax benefits claimed by the Company in certain of its local tax jurisdictions, for which collection is expected beyond one year.

12. OTHER PAYABLES AND ACCRUED LIABILITIES

Other payables and accrued liabilities consisted of the following:

	December 31, 2013	December 31, 2012
Employee related liabilities	**383**	397
Employee compensated absences	**128**	127
Taxes other than income taxes	**85**	71
Advances	**32**	45
Payables to equity-method investments	**81**	45
Obligations for capacity rights	**3**	1
Derivative instruments	**4**	1
Provision for restructuring	**65**	75
Current portion of pension	**12**	16
Royalties	**37**	39
Others	**107**	125
Total	**937**	**942**

The terms of the agreement for the inception of Numonyx, a company created in 2007 from the Company's and Intel's flash memory business key assets and sold in 2010 to Micron Technology Inc., included rights granted to

Numonyx to use certain assets retained by the Company. As at December 31, 2013 and 2012 the value of such rights totaled $6 million and $14 million respectively, of which $3 million and $1 million respectively were reported as current liabilities.

Derivative instruments are further described in Note 23.

Other payables and accrued liabilities also include individually insignificant amounts as of December 31, 2013 and December 31, 2012.

13. LONG-TERM DEBT

Long-term debt consisted of the following:

	December 31, 2013	December 31, 2012
Funding program loans from European Investment Bank:		
0.26% due 2014, floating interest rate at Libor + 0.017%	**20**	40
0.26% due 2015, floating interest rate at Libor + 0.026%	**19**	28
0.29% due 2016, floating interest rate at Libor + 0.052%	**58**	77
0.56% due 2016, floating interest rate at Libor + 0.317%	**77**	103
0.46% due 2016, floating interest rate at Libor + 0.213%	**86**	114
1.34% due 2020, floating interest rate at Libor + 1.099%	**87**	100
1.20% due 2020, floating interest rate at Libor + 0.956%	**193**	221
1.04% due 2020, floating interest rate at Euribor + 0.817%	**121**	132
0.88% due 2021, floating interest rate at Libor + 0.525%	**240**	—
0.92% due 2021, floating interest rate at Libor + 0.572%	**231**	—
Other funding program loans:		
0.55% (weighted average), due 2014-2018, fixed interest rate	**5**	7
Other long-term loans:		
1.95% (weighted average), due 2017, fixed interest rate	**10**	12
0.67% (weighted average), due 2018, fixed interest rate	**2**	—
0.87% (weighted average), due 2020, fixed interest rate	**3**	—
Capital leases:		
5.95% (weighted average), due 2015-2017, fixed interest rate	**1**	5
Senior Bonds:		
0.58%, due 2013, floating interest rate at Euribor + 0.40%	**—**	462
Total long-term debt	**1,153**	**1,301**
Less current portion	**(225)**	**(630)**
Total long-term debt, less current portion	**928**	**671**

Long-term debt is denominated in the following currencies:

	December 31, 2013	December 31, 2012
U.S. dollar	**1,012**	689
Euro	**141**	612
Total	**1,153**	1,301

The European Investment Bank's loans denominated in Euros, but drawn in U.S. dollars, are classified as U.S. dollar-denominated debt.

Aggregate future maturities of total long-term debt outstanding (including current portion) are as follows:

	December 31, 2013
2014	**225**
2015	**205**
2016	**195**
2017	**119**
2018	**117**
Thereafter	**292**
Total	**1,153**

In March 2006, STMicroelectronics Finance B.V. ("ST BV"), a wholly owned subsidiary of the Company, issued floating rate senior bonds with a principal amount of Euro 500 million at an issue price of 99.873%. The notes, which matured on March 17, 2013, were paying a coupon rate of the three-month Euribor plus 0.40% on the 17th of June, September, December and March of each year through maturity. In 2010, the Company repurchased 74 thousand bonds for a total cash consideration of $98 million. In 2011, the Company repurchased around 76 thousand bonds for a total cash consideration of $107 million. The repurchased bonds have been cancelled in accordance with their terms. The residual portion of the floating rate senior bonds outstanding was repaid on March 17, 2013 with available cash.

Credit facilities

The Company had unutilized committed medium-term credit facilities with core relationship banks totalling $730 million as of December 31, 2013. The Company also has four committed long-term amortizing credit facilities with the European Investment Bank as part of R&D funding programs. The first one, signed on December 6, 2006 for a total of €245 million for R&D in France was fully drawn in U.S. dollars for a total amount of $341 million, of which $97 million remained outstanding as at December 31, 2013. The second one, signed on July 21, 2008, for a total amount of €250 million for R&D projects in Italy, was fully drawn in U.S. dollars for $380 million, of which $163 million remained outstanding as at December 31, 2013. The third one, signed on September 27, 2010 as a €350 million multi-currency loan for R&D programs in Europe, was drawn mainly in U.S. dollars for an amount of $321 million and only partially in Euros for an amount of €100 million, of which $401 million remained outstanding as at December 31, 2013. The fourth, signed on March 12, 2013, a €350 million multi-currency loan which also supports R&D programs, was drawn in U.S. dollars for $471 million, all of which remained outstanding as at December 31, 2013.

14. POST-EMPLOYMENT AND OTHER LONG-TERM EMPLOYEES BENEFITS

The Company and its subsidiaries have a number of defined benefit pension plans, mainly unfunded, and other long-term employees' benefits covering employees in various countries. The defined benefit plans provide pension benefits based on years of service and employee compensation levels. The other long-term employees' plans provide benefits due during the employees' period of service after certain seniority levels. The Company uses a December 31 measurement date for its plans. Eligibility is generally determined in accordance with local statutory requirements. For Italian termination indemnity plan ("TFR"), generated before July 1, 2007, the Company continues to measure the vested benefits to which Italian employees are entitled as if they left the company immediately as of December 31, 2013, in compliance with U.S. GAAP guidance on determining vested benefit obligations for defined benefit pension plans.

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The changes in benefit obligation and plan assets were as follows:

	Pension Benefits		Other Long-Term Benefits	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Change in benefit obligation:				
Benefit obligation at beginning of year	**901**	794	**63**	52
Service cost	**37**	40	**8**	9
Interest cost	**28**	31	**2**	3
Employee contributions	**5**	6	**—**	—
Benefits paid	**(19)**	(21)	**(4)**	(3)
Effect of curtailment	**(3)**	—	**(2)**	—
Effect of settlement	**(32)**	(31)	**—**	—
Actuarial (gain) loss	**(92)**	58	**—**	2
Transfer in	**12**	70	**1**	3
Transfer out	**(12)**	(70)	**(1)**	(3)
Acquisition / change in scope	**9**	—	**1**	—
Plan amendment	**5**	4	**—**	—
ST-Ericsson deconsolidation	**(49)**	**—**	**(4)**	**—**
Foreign currency translation adjustment	**17**	20	**1**	—
Benefit obligation at end of year	**807**	901	**65**	63
Change in plan assets:				
Plan assets at fair value at beginning of year	**422**	378	**—**	—
Expected return on plan assets	**18**	18	**—**	—
Employer contributions	**29**	34	**—**	—
Employee contributions	**5**	6	**—**	—
Benefits paid	**(9)**	(11)	**—**	—
Effect of settlement	**(25)**	(30)	**—**	—
Actuarial gain (loss)	**14**	17	**—**	—
Transfer in	**8**	40	**—**	—
Transfer out	**(8)**	(40)	**—**	—
Foreign currency translation adjustments	**5**	**10**	**—**	**—**
ST-Ericsson deconsolidation	**(11)**	—	**—**	—
Plan assets at fair value at end of year	**448**	422	**—**	—
Funded status	**(359)**	(479)	**(65)**	(63)
Net amount recognized in the balance sheet consisted of the following:				
Non-current assets	**10**	5	**—**	—
Current liabilities	**(12)**	(16)	**(5)**	(3)
Long-term liabilities	**(357)**	(468)	**(60)**	(60)
Net amount recognized	**(359)**	(479)	**(65)**	(63)

The components of accumulated other comprehensive income (loss) before tax effects were as follows:

	Actuarial (gains)/losses	Prior service cost	**Total**
Other comprehensive loss as at December 31, 2011	**175**	**10**	**185**
Net amount generated/arising in current year	43	4	47
Amortization	(14)	(5)	(19)
Foreign currency translation adjustment	5	—	5
Other comprehensive loss as at December 31, 2012	**209**	**9**	**218**
Net amount generated/arising in current year	(105)	5	(100)
Amortization	(15)	(5)	(20)
Foreign currency translation adjustment	2	—	2
Other comprehensive loss as at December 31, 2013	**91**	**9**	**100**

In 2014, the Company expects to amortize $2 million of actuarial losses and $1 million of past service cost.

The accumulated benefit obligations were as follows:

	Pension Benefits		**Other Long-Term Benefits**	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Accumulated benefit obligations	**717**	**779**	**51**	49

The components of the net periodic benefit cost included the following:

	Pension Benefits			**Other Long-term Benefits**		
	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2011	**Year ended December 31, 2013**	Year ended December 31, 2012	Year ended December 31, 2011
Service cost	**37**	40	34	**8**	9	8
Interest cost	**28**	31	33	**2**	3	3
Expected return on plan assets	**(18)**	(18)	(20)	**—**	—	—
Amortization of actuarial net loss (gain)	**11**	12	6	**—**	2	(5)
Amortization of prior service cost	**5**	5	1	**—**	—	—
Effect of settlement	**1**	—	(1)		—	—
Effect of curtailment	**—**	—	—	**(2)**	—	—
Net periodic benefit cost	**64**	70	53	**8**	14	6

The weighted average assumptions used in the determination of the benefit obligation and the plan assets for the pension plans and the other long-term benefits were as follows:

Assumptions	**December 31, 2013**	December 31, 2012
Discount rate	**3.83%**	3.43%
Salary increase rate	**2.82%**	2.92%
Expected long-term rate of return on funds for the pension expense of the year	**4.88%**	4.43%

The weighted average assumptions used in the determination of the net periodic benefit cost for the pension plans and the other long-term benefits were as follows:

Assumptions	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Discount rate	3.43%	4.14%	4.68%
Salary increase rate	2.92%	2.99%	3.13%
Expected long-term rate of return on funds for the pension expense of the year	4.43%	4.57%	4.99%

The discount rate was determined by reference to market yields on high quality long-term corporate bonds applicable to the respective country of each plan, with terms consistent with the term of the benefit obligations concerned. In developing the expected long-term rate of return on assets, the Company modelled the expected long-term rates of return for broad categories of investments held by the plan against a number of various potential economic scenarios.

The Company's pension plan asset allocation at December 31, 2013 and at December 31, 2012 is as follows:

	Percentage of Plan Assets at December	
Asset Category	**2013**	2012
Equity securities	**43%**	37%
Bonds securities remunerating interest	**30%**	31%
Real estate	**2%**	2%
Other	**25%**	30%
Total	**100%**	100%

The Company's detailed pension plan asset allocation including the fair-value measurements of those plan assets as at December 31, 2013 is as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	7	7	—	—
Equity securities	192	7	185	—
Government debt securities	12	12	—	—
Corporate debt securities	122	4	118	—
Investment funds	1	1	—	—
Real estate	9	—	5	4
Other (mainly insurance assets – contracts and reserves)	105	—	—	105
TOTAL	**448**	**31**	**308**	**109**

The Company's detailed pension plan asset allocation including the fair-value measurements of those plan assets as at December 31, 2012 is as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	5	5	—	—
Equity securities	156	9	147	—
Government debt securities	13	12	1	—
Corporate debt securities	119	4	115	—
Investment funds	7	1	3	3
Real estate	9	—	5	4
Other (mainly insurance assets – contracts and reserves)	113	—	—	113
TOTAL	**422**	**31**	**271**	**120**

For plan assets measured at fair value using significant unobservable inputs (Level 3), the reconciliation between January 1, 2013 and December 31, 2013 is presented as follows:

In millions of U.S. dollars	Fair Value Measurements using Significant Unobservable Inputs (Level 3)
January 1, 2013	120
Contributions (employer and employee)	15
Benefits paid	(2)
Settlements	(23)
ST-Ericsson deconsolidation	(4)
Foreign currency translation adjustment	3
December 31, 2013	**109**

For plan assets measured at fair value using significant unobservable inputs (Level 3), the reconciliation between January 1, 2012 and December 31, 2012 is presented as follows:

In millions of U.S. dollars	Fair Value Measurements using Significant Unobservable Inputs (Level 3)
January 1, 2012	104
Actual return on plan assets	3
Contributions (employer and employee)	16
Benefits paid	(3)
Settlements	(7)
Reclassification to Level 3	4
Foreign currency translation adjustment	3
December 31, 2012	**120**

The Company's investment strategy for its pension plans is to optimize the long-term investment return on plan assets in relation to the liability structure to maintain an acceptable level of risk while minimizing the cost of providing pension benefits and maintaining adequate funding levels in accordance with applicable rules in each jurisdiction. The Company's practice is to periodically conduct a review in each subsidiary of its asset allocation strategy, in such a way that the asset allocation is in line with the targeted asset allocation with reasonable boundaries. This was the case for year-end 2013. A portion of the fixed income allocation is reserved in short-term cash to provide for expected benefits to be paid. The Company's asset portfolios are managed in such a way as to achieve adapted diversity and in certain jurisdictions they are entirely managed by the multi-employer funds. The Company does not manage any assets internally.

After considering the funded status of the Company's defined benefit plans, movements in the discount rate, investment performance and related tax consequences, the Company may choose to make contributions to its pension plans in any given year in excess of required amounts. The Company contributions to plan assets were $29 million and $34 million in 2013 and 2012 respectively and the Company expects to contribute cash of $26 million in 2014.

The Company's estimated future benefit payments as of December 2013 are as follows:

Years	Pension Benefits	Other Long-term Benefits
2014	29	5
2015	21	9
2016	20	4
2017	34	4
2018	31	5
From 2019 to 2023	211	28

The Company has certain defined contribution plans, which accrue benefits for employees on a pro-rata basis during their employment period based on their individual salaries. The Company accrued benefits related to defined contribution pension plans of $19 million both as of December 31, 2013 and 2012. The annual cost of these plans amounted to approximately $89 million, $94 million and $98 million in 2013, 2012 and 2011, respectively. The benefits accrued to employees on a pro-rata basis, during their employment period, are based on the individuals' salaries.

15. SHAREHOLDERS' EQUITY

15.1 Outstanding shares

The authorized share capital of the Company is Euro 1,810 million consisting of 1,200,000,000 common shares and 540,000,000 preference shares, each with a nominal value of €1.04. As at December 31, 2013 the number of shares of common stock issued was 910,703,305 shares (910,559,805 at December 31, 2012).

As of December 31, 2013 the number of shares of common stock outstanding was 890,606,763 (887,953,202 at December 31, 2012).

15.2 Preference shares

The 540,000,000 preference shares, when issued, will entitle a holder to full voting rights and to a preferential right to dividends and distributions upon liquidation.

On January 22, 2007, an option agreement was concluded between the Company and Stichting Continuïteit ST. This option agreement provides for the issuance of 540,000,000 preference shares. Any such shares should be issued by the Company to the Foundation, upon its request and in its sole discretion, upon payment of at least 25% of the par value of the preference shares to be issued. The issuing of the preference shares is conditional upon (i) the Company receiving an offer or there being the threat of such an offer; (ii) the Company's Managing and Supervisory Boards deciding not to support such an offer and; (iii) the Board of the Foundation determining that such an offer or acquisition would be contrary to the interests of the Company, its shareholders and other stakeholders. The preference shares may remain outstanding for no longer than two years. There were no preference shares issued as of December 31, 2013.

15.3 Treasury stock

Following the authorization by the Supervisory Board, announced on April 2, 2008, to repurchase up to 30 million shares of its common stock, the Company acquired 29,520,220 shares in 2008, also reflected at cost, as a reduction of the parent company stockholders' equity.

As of December 31, 2013, the Company owned a number of treasury shares equivalent to 20,096,542.

The treasury shares have been designated for allocation under the Company's share based remuneration programs of unvested shares. As of December 31, 2013, 22,823,678 of these treasury shares were transferred to employees under the Company's share based remuneration programs, of which 2,510,061 in the year ended December 31, 2013.

15.4 Stock option plans

In 2001, the Shareholders voted to adopt the 2001 Employee Stock Option Plan (the "2001 Plan") whereby options for up to 60,000,000 shares may be granted in installments over a five-year period. The options may be granted to purchase shares of common stock at a price not lower than the market price of the shares on the date of grant. In connection with a revision of its equity-based compensation policy, the Company decided in 2005 to accelerate the vesting period of all outstanding unvested stock options. The options expire ten years after the date of grant.

In 2002, the Shareholders voted to adopt a Stock Option Plan for Supervisory Board Members and Professionals of the Supervisory Board. Under this plan, 12,000 options could be granted per year to each member of the Supervisory Board and 6,000 options per year to each professional advisor to the Supervisory Board. Options vest thirty days after the date of grant and expire ten years after the date of grant.

A summary of the stock option activity for the plans for the three years ended December 31, 2013, 2012 and 2011 follows:

		Exercise Price Per Share	
	Number of Shares	Range	Weighted Average
Outstanding at December 31, 2010	35,296,895	$16.73-$39.00	$ 27.17
Options forfeited	(8,843,743)	$17.08-$39.00	$ 35.11
Outstanding at December 31, 2011	26,453,152	$16.73-$33.70	$ 24.51
Options forfeited	(9,762,680)	$17.08-$33.70	$ 30.50
Outstanding at December 31, 2012	16,690,472	$16.73-$27.21	$ 21.00
Options forfeited	(8,400,221)	$16.73-$27.21	$ 19.39
Outstanding at December 31, 2013	8,290,251	$16.73-$27.21	$ 22.64

The weighted average remaining contractual life of options outstanding as of December 31, 2013, 2012 and 2011 was 0.3, 0.8 and 1.2 years, respectively.

The range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options exercisable as of December 31, 2013 were as follows:

Number of shares	Option price Range	Weighted average exercise price	Weighted average remaining contractual life (years)
1,900	$25.90-$27.21	$27.21	0.01
8,188,365	$19.18-$22.83	$22.71	0.32
99,986	$16.73-$17.08	$17.03	0.72

15.5 Unvested share awards for the Supervisory Board

On an annual basis and until the year 2012, the Compensation Committee (on behalf of the Supervisory Board and with its approval) used to grant stock-based awards (the options to acquire common shares in the share capital of the Company) to the members and professionals of the Supervisory Board ("The Supervisory Board Plan"). The awards were granted at the nominal value of the share of €1.04 (exercise price of the option). The options granted under the Supervisory Board Plan vest and become exercisable immediately, while the shares resulting from these awards vest and therefore become available for trade evenly over three years (one third every year), with no market, performance or service conditions.

The table below summarizes grants under the outstanding stock award plans as authorized by the Compensation Committee:

Year of grant	Options granted and vested	Options waived at grant
2005	66,000	(15,000)
2006	66,000	(15,000)
2007	165,000	(22,500)
2008	165,000	(22,500)
2009	165,000	(7,500)
2010	172,500	(7,500)
2011	172,500	(30,000)
2012	180,000	(22,500)
2013	No options granted	

A summary of the options' activity by plan for the years ended December 31, 2012 and December 31, 2013 is presented below:

Year of grant	Outstanding as of 31.12.2011	Granted and vested	Waived at grant	Exercised	Expired/ Cancelled	Outstanding as of 31.12.2012	Exercised	Expired / Cancelled	Outstanding as of 31.12.2013	Shares corresponding to exercised option not yet available for trade as of 31.12.2013
2005	34,115	—	—	—	—	34,115	(3,000)	—	31,115	—
2006	33,000	—	—	—	—	33,000	(3,000)	—	30,000	—
2007	82,500	—	—	—	—	82,500	(22,500)	—	60,000	—
2008	85,000	—	—	—	—	85,000	(10,000)	—	75,000	—
2009	95,000	—	—	—	—	95,000	(20,000)	—	75,000	—
2010	107,500	—	—	—	—	107,500	(25,000)	—	82,500	—
2011	142,500	—	—	—	—	142,500	(25,000)	—	117,500	—
2012	—	180,000	(22,500)	—	—	157,500	(35,000)	—	122,500	10,000

The total intrinsic value of options exercised during the year 2013 amounted to $1 million.

At the Company's Annual General Meeting of Shareholders held on 21 June 2013, it was resolved to abolish and terminate the stock-based compensation for the Supervisory Board members and professionals.

15.6 Unvested share awards for the employees

On an annual basis, the Compensation Committee (on behalf of the Supervisory Board and with its approval) grants stock-based awards to the senior executives along with selected employees (the "Employee Plan"). The awards are granted for free under the Employee Plan. Until 2012 all the awards were subject to completion of the performance conditions. Starting from 2013, there are two types of unvested shares: (1) shares granted to employees, vesting independently on the performance conditions and (2) shares granted to senior executives, whose vesting is subject to three internal performance conditions (consisting of sales evolution and operating income compared to a basket of competitors and of cash flow compared with budget), each weighting for one third of the total number of awards granted. All the awards vest over a three year service period (32% as of the first anniversary of the grant, 32% as of the second anniversary of the grant and 36% as of the third anniversary of the grant (for awards granted until the end of 2012 under the French Subplan 64% vest as of the second anniversary of the grant and 36% as of the third anniversary). In addition, in 2012 there was a Special Bonus granted to the Company's CEO.

The table below summarizes grants under the outstanding stock award plans as authorized by the Compensation Committee:

Date of grant	Plan name	Number of shares granted	Number of shares waived	Number of shares lost on performance conditions
July 22, 2010	2010 Employee Plan	6,344,725	—	(2,076,448)
December 17, 2010	2010 Employee Plan	221,650	—	(73,524)
July 25, 2011	2011 Employee Plan	5,881,630	—	(5,824,445)
November 14, 2011	2011 Employee Plan	95,000	—	(91,540)
May 30, 2012	2012 CEO Special Bonus	100,862	—	—
July 23, 2012	2012 Employee Plan	6,216,285	(2,400)	(1,991,558)
December 21, 2012	2012 Employee Plan	304,480	—	(100,373)
July 22, 2013	2013 Employee Plan	5,750,730	—	(*)
December 18, 2013	2013 Employee Plan	659,515	—	(*)
December 27, 2013	2013 Employee Plan	1,800	—	—

(*) As at December 31, 2013, a final determination of the achievement of the performance conditions had not yet been made by the Compensation Committee of the Supervisory Board.

A summary of the unvested share activity by plan for the year ended December 31, 2013 is presented below:

Unvested Shares	Outstanding as at December 31, 2012	Granted	Forfeited / waived	Cancelled on failed vesting conditions	Vested	Outstanding as at December 31, 2013
2010 Employee Plan	1,485,836	—	(21,180)	—	(1,464,656)	—
2012 CEO Special Bonus	100,862	—	—	—	(33,621)	67,241
2012 Employee Plan	6,473,520	—	(219,711)	(2,091,931)	(1,009,339)	3,152,539
2013 Employee Plan	—	6,412,045	(30,280)	—	(2,445)	6,379,320
Total	8,060,218	6,412,045	(271,171)	(2,091,931)	(2,510,061)	9,599,100

The grant date fair value of unvested shares granted to employees under the 2010 Employee Plan was $8.74. For the 2010 Employee Plan, the fair value of the unvested shares granted reflected the market price of the shares at the date of the grants. On April 26, 2011, the Compensation Committee approved the statement that two performance conditions were fully met. Consequently, the compensation expense recorded on the 2010 Employee Plan reflects the statement that two thirds of the awards granted fully vest, as far as the service condition is met.

The grant date fair value of unvested shares granted to employees under the 2011 Employee Plan was $9.08. For the 2011 Employee Plan, the fair value of the unvested shares granted reflected the market price of the shares at the date of the grants. On April 23, 2012, the Compensation Committee approved the statement that none of the three performance conditions were met. Consequently, the compensation expense recorded on the 2011 Employee Plan was reversed in the income statement for the year ended December 31, 2012.

The grant date fair value of unvested shares granted to the CEO under the 2012 CEO Special Bonus Plan was $6.32. On the 2012 CEO Special Bonus Plan, the fair value of the unvested shares granted reflected the market price of the shares at the date of the grant.

The grant date fair value of unvested shares granted to employees under the 2012 Employee Plan was $4.87. For the 2012 Employee Plan, the fair value of the unvested shares granted reflected the market price of the shares at the date of the grants. On April 11, 2013, the Compensation Committee approved the statement that two performance conditions were fully met. Consequently, the compensation expense recorded on the 2012 Employee Plan reflects the statement that two thirds of the awards granted will fully vest, as far as the service condition is met.

The grant date fair value of unvested shares granted to employees under the 2013 Employee Plan was $9.55. On the 2013 Employee Plan, the fair value of the unvested shares granted reflected the market price of the shares at the date of the grants. Moreover, for the portion of the shares subject to performance conditions (3,004,475 shares) the Company estimates the number of awards expected to vest by assessing the probability of achieving the performance conditions. At December 31, 2013, a final determination of the achievement of the performance conditions had not yet been made by the Compensation Committee of the Supervisory Board. However, the Company has estimated that two thirds of the awards subject to performance conditions are expected to vest. Consequently, the compensation expense recorded for the 2013 Employee Plan reflects the vesting of two third of the awards granted with performance conditions, subject to the service condition being met. The assumption of the expected number of awards to be vested upon achievement of the performance conditions is subject to changes based on the final measurement of the conditions, which is expected to occur in the first half of 2014.

The following table illustrates the classification of pre-payroll tax and social contribution stock-based compensation expense included in the consolidated statements of income for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, respectively:

	December 31, 2013	December 31, 2012	December 31, 2011
Cost of sales	**5**	2	5
Selling, general and administrative	**13**	6	16
Research and development	**8**	3	8
Total pre-payroll tax and social contribution compensation	**26**	11	29

Compensation cost, excluding payroll tax and social contribution, capitalized as part of inventory was $2 million at December 31, 2013, $1 million at December 31, 2012 and $2 million at December 31, 2011. As of December 31, 2013 there was $42 million of total unrecognized compensation cost related to the grant of unvested shares, which is expected to be recognized over a weighted average period of approximately 10 months.

The total deferred income tax expense recognized in the consolidated statements of income related to unvested share-based compensation expense amounted to $5 million and $2 million for the years ended December 31, 2013 and 2012, respectively. The total deferred income tax benefit recognized in the consolidated statement of income related to unvested share-based compensation expense amounted to $7 million for the year ended December 31, 2011.

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15.7 Accumulated other comprehensive income (loss) attributable to parent company stockholders

The table below details the changes in AOCI attributable to the company’s stockholders by component, net of tax, for the years ended December 31, 2013, 2012 and 2011:

	Cash Flow Hedges	Available-For-Sale Securities	Defined Benefit Pension Plan Items	Foreign Currency Translation Adjustments (“CTA”)	Total
December 31, 2010	61	26	(88)	969	968
Cumulative tax impact	—	(4)	15	—	11
December 31, 2010, net of tax	61	22	(73)	969	979
OCI before reclassifications	(15)	—	(81)	(101)	(197)
Amounts reclassified from AOCI	(110)	(33)	3	—	(140)
OCI for the year ended December 31, 2011	(125)	(33)	(78)	(101)	(337)
Cumulative tax impact	9	1	18	—	28
OCI for the year ended December 31, 2011, net of tax	(116)	(32)	(60)	(101)	(309)
December 31, 2011	(64)	(7)	(166)	868	631
Cumulative tax impact	9	(3)	33	—	39
December 31, 2011, net of tax	(55)	(10)	(133)	868	670
OCI before reclassifications	28	6	(57)	64	41
Amounts reclassified from AOCI	62	—	18	—	80
OCI for the year ended December 31, 2012	90	6	(39)	64	121
Cumulative tax impact	(11)	—	14	—	3
OCI for the year ended December 31, 2012, net of tax	79	6	(25)	64	124
December 31, 2012	26	(1)	(205)	932	752
Cumulative tax impact	(2)	(3)	47	—	42
December 31, 2012, net of tax	24	(4)	(158)	932	794
OCI before reclassifications	40	2	80	104	226
Amounts reclassified from AOCI	(28)	—	14	—	(14)
Impact of ST-Ericsson deconsolidation	—	—	11	49	60
OCI for the year ended December 31, 2013	12	2	105	153	272
Cumulative tax impact	(3)	3	(24)	—	(24)
OCI for the year ended December 31, 2013, net of tax	9	5	81	153	248
December 31, 2013	38	1	(100)	1,085	1,024
Cumulative tax impact	(5)	—	23	—	18
December 31, 2013, net of tax	33	1	(77)	1,085	1,042

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Items reclassified out of Accumulated Other Comprehensive Income for the years ended December 31, 2013, 2012 and 2011 are listed in the table below:

Details about AOCI components	Amounts reclassified from AOCI in the year ended December 31, 2013	Amounts reclassified from AOCI in the year ended December 31, 2012	Amounts reclassified from AOCI in the year ended December 31, 2011	Affected line item in the statement where net income (loss) is presented
Gains (Losses) on Cash Flow Hedges				
Foreign exchange derivative contracts	16	(39)	65	Cost of sales
Foreign exchange derivative contracts	3	(5)	8	Selling, general and administrative
Foreign exchange derivative contracts	14	(27)	44	Research and development
Foreign exchange derivative contracts	—	—	6	Gain (loss) on financial instruments, net
	(4)	12	(11)	Income tax expense
	29	(59)	112	Net of tax
Defined Benefit Pension Plan Items				
Amortization of actuarial gains (losses)	(1)	(1)	—	Cost of sales
Amortization of actuarial gains (losses)	(5)	(6)	—	Selling, general and administrative
Amortization of actuarial gains (losses)	(6)	(7)	(1)	Research and development
Amortization of prior service cost	—	—	—	Cost of sales
Amortization of prior service cost	(1)	(1)	—	Selling, general and administrative
Amortization of prior service cost	(4)	(4)	(1)	Research and development
	5	6	1	Income tax benefit
	(12)	(13)	(1)	Net of tax
Gains (Losses) on Available-For-Sale Securities				
Available-For-Sale Securities	—	—	47	OTTI and realized gains on financial assets
Available-For-Sale Securities	—	—	(14)	Gain (loss) on financial instruments, net
	—	—	—	Income tax expense
	—	—	33	Net of tax
Total reclassifications for the year	17	(72)	144	
Attributable to noncontrolling interest	(2)	5	(11)	
Attributable to the Company's stockholders	15	(67)	133	

15.8 Noncontrolling interest

The noncontrolling interest was as follows:

Balance as of December 31, 2010	**910**
Business combination	9
Comprehensive income (loss):	
Net income (loss)	(495)
Unrealized gains (losses) on derivatives, net of tax	(10)
Other components of other comprehensive income (loss), net of tax	(16)
Other comprehensive income (loss), net of tax	(26)
Comprehensive income (loss)	(521)
Dividends to noncontrolling interest	(5)
Balance as of December 31, 2011	**393**
Contribution of noncontrolling interest	765
Comprehensive income (loss):	
Net loss	(1,030)
Unrealized gains (losses) on derivatives, net of tax	10
Other components of other comprehensive income (loss), net of tax	6
Other comprehensive income (loss), net of tax	16
Comprehensive income (loss)	(1,014)
Dividends to noncontrolling interest	(5)
Balance as of December 31, 2012	**139**
Joint ventures deconsolidation	73
Comprehensive income (loss):	
Net loss	(129)
Unrealized gains (losses) on derivatives, net of tax	(3)
Other components of other comprehensive income (loss), net of tax	(2)
Other comprehensive income (loss), net of tax	(5)
Comprehensive income (loss)	(134)
Dividends to noncontrolling interest	(4)
Balance as of December 31, 2013	**74**

In December 2012 both parents decided to forgive their respective loans to ST-Ericsson. The Ericsson part of the loan forgiven was recorded as a contribution of noncontrolling interest.

15.9 Dividends

The Extraordinary General Meeting of Shareholders held on December 2, 2013 authorized the distribution of a semi-annual cash dividend per common share of $0.10 in the fourth quarter of 2013 and $0.10 in the first quarter of 2014, to be paid in December 2013 and March 2014, respectively. The first payment, totaling $89 million, was executed in December 2013. The remaining $0.10 per share cash dividend to be paid in the first quarter of 2014 totaled $89 million and was reported as “Dividends payable to stockholders” on the consolidated balance sheet as at December 31, 2013.

The Annual General Meeting of Shareholders held on June 21, 2013 authorized the distribution of a semi-annual cash dividend per common share of $0.10 in the second quarter of 2013 and $0.10 in the third quarter of 2013, to be paid in June and September of 2013, respectively. The first payment for Euronext Paris and Borsa Italiana, amounting to $75 million, was executed in the second quarter of 2013. The first payment for the New York Stock Exchange which was executed in July 2013 and the remaining $0.10 per share cash dividend, totaling $93 million, was paid in the third quarter of 2013.

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At the Company's Annual General Meeting of Shareholders held on May 30, 2012, the distribution of a cash dividend of $0.40 per common share, amounting to approximately $355 million, to be paid in four equal installments, was adopted by the Company's shareholders. Through December 31, 2012, three installments were paid for an amount of $266 million including withholding tax. The remaining $0.10 per share cash dividend to be paid in the first quarter of 2013 totaled $89 million and was reported as "Dividends payable to stockholders" on the consolidated balance sheet as at December 31, 2012.

In 2011 the cash dividend was $0.40 per share for a total amount paid of $354 million.

16. EARNINGS PER SHARE

For the years ended December 31, 2013, 2012 and 2011, earnings per share ("EPS") was calculated as follows:

	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Basic EPS			
Net income (loss) attributable to parent company	**(500)**	(1,158)	650
Weighted average shares outstanding	**889,541,922**	886,699,953	883,619,377
Basic EPS	**(0.56)**	(1.31)	0.74
Diluted EPS			
Net income (loss) attributable to parent company	**(500)**	(1,158)	650
Convertible debt interest	**—**	—	5
Net income (loss) attributable to parent company adjusted	**(500)**	(1,158)	655
Weighted average shares outstanding	**889,541,922**	886,699,953	883,619,377
Dilutive effect of unvested shares	**—**	—	3,771,729
Dilutive effect of convertible debt	**—**	—	17,073,640
Number of shares used in calculating diluted EPS	**889,541,922**	886,699,953	904,464,746
Diluted EPS	**(0.56)**	(1.31)	0.72

In 2013 and 2012, if the Company had reported income, outstanding stock options would have included anti-dilutive shares totalling approximately 8,290,251 shares and 16,690,472 shares, respectively. In 2011 outstanding stock options included anti-dilutive shares totalling approximately 26,453,152 shares.

17. OTHER INCOME AND EXPENSES, NET

Other income and expenses, net consisted of the following:

	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Research and development funding	**57**	102	128
Phase-out and start-up costs	**(4)**	—	(8)
Exchange gain, net	**8**	5	8
Patent costs	**(40)**	(20)	(28)
Gain on sale of businesses and non-current assets	**83**	9	15
Other, net	**(9)**	(5)	(6)
Total	**95**	**91**	**109**

The Company receives significant public funding from governmental agencies in several jurisdictions. Public funding for research and development is recognized ratably as the related costs are incurred once the agreement with the respective governmental agency has been signed and all applicable conditions have been met.

Phase-out costs are costs incurred during the closing stage of a Company's manufacturing facility. They are treated in the same manner as start-up costs. Start-up costs represent costs incurred in the start-up and testing of the Company's new manufacturing facilities, before reaching the earlier of a minimum level of production or six months after the fabrication line's quality certification.

Exchange gains and losses included in "Other income and expenses, net" represent the portion of exchange rate changes on transactions denominated in currencies other than an entity's functional currency and the changes in fair value of trading derivative instruments which are not designated as hedge and which have a cash flow effect related to operating transactions, as described in Note 23.

Patent costs include legal and attorney fees and payment for claims, patent pre-litigation consultancy and legal fees. They are reported net of settlements, if any, which primarily include reimbursements of prior patent litigation costs.

Gain on sale of businesses and non-current assets is mostly related to the sale of businesses and non-current assets associated with the Global Navigation Satellite System (GNSS) and with the sale of Portland Compiler Group (PGI), both realized in the third quarter of 2013.

18. IMPAIRMENT, RESTRUCTURING CHARGES AND OTHER RELATED CLOSURE COSTS

Impairment, restructuring charges and other related closure costs incurred in 2013, 2012, and 2011 are summarized as follows:

Year ended December 31, 2013	Impairment	Restructuring charges	Other related closure costs	Total impairment, restructuring charges and other related closure costs
ST-Ericsson restructuring plans	—	(6)	(3)	(9)
ST-Ericsson exit	(17)	(69)	—	(86)
Digital restructuring plan	(2)	(1)	(2)	(5)
$600-650 million net opex plan	—	(88)	—	(88)
Manufacturing consolidation	(29)	(8)	—	(37)
Annual impairment test	(56)	—	—	(56)
Assets held for sale impairment	(5)	—	—	(5)
Other restructuring initiatives	—	(6)	—	(6)
Total	**(109)**	**(178)**	**(5)**	**(292)**

Year ended December 31, 2012	Impairment	Restructuring charges	Other related closure costs	Total impairment, restructuring charges and other related closure costs
Manufacturing restructuring plan	(21)	—	(2)	(23)
ST-Ericsson restructuring plan	—	(1)	—	(1)
ST-Ericsson cost savings plan	—	(10)	(10)	(20)
ST-Ericsson April 2012 restructuring plan	(2)	(60)	(4)	(66)
ST-Ericsson exit	(544)	—	—	(544)
Digital restructuring plan	(7)	(13)	—	(20)
Annual impairment test	(694)	—	—	(694)
Other restructuring initiatives	—	—	(8)	(8)
Total	**(1,268)**	**(84)**	**(24)**	**(1,376)**

Year ended December 31, 2011	Impairment	Restructuring charges	Other related closure costs	Total impairment, restructuring charges and other related closure costs
Manufacturing restructuring plan	(3)	(13)	(21)	(37)
ST-Ericsson restructuring plan	(1)	(3)	(3)	(7)
ST-Ericsson cost savings plan	—	(26)	—	(26)
Other restructuring initiatives	—	(1)	(4)	(5)
Total	**(4)**	**(43)**	**(28)**	**(75)**

Impairment charges

In 2013, the Company recorded impairment charges of $109 million corresponding primarily to:

- $56 million, as part of the annual impairment test performed during the third quarter, on Digital Convergence Group goodwill ($38 million) and dedicated intangible assets ($18 million);
- $29 million on certain long-lived assets as part of the Company's manufacturing consolidation;
- $17 million impairment primarily related to long-lived assets as part of the exit of ST-Ericsson; and
- $5 million impairment charge on Veredus assets classified as Assets held for sale, as of December 31, 2013.

In 2012, the Company recorded impairment charges of $1,268 million corresponding to:

- $1,234 million on Wireless goodwill and other intangible assets of which $690 million impairment on Wireless goodwill as part of the annual impairment test performed during the third quarter and $544 million impairment on Wireless goodwill and other intangible assets recorded in December following the Company's decision to exit ST-Ericsson. The $1,234 million amount is composed of an impairment charge of $922 million on Wireless goodwill, $261 million impairment on Wireless customer relationships, $45 million impairment on Wireless capitalized software and $6 million impairment on acquired technology;
- $21 million impairment on the Carrollton (Texas) building and facilities;
- $7 million impairment charges on intangibles for which no alternative future use was identified within the Company, as part of the Digital restructuring plan;
- $4 million impairment on certain intangibles as part of the annual impairment test; and
- $2 million impairment charges primarily related to long-lived assets with no alternative future use within the Company.

In 2011, the Company recorded impairment charges of $4 million primarily related to long-lived assets for which no alternative future use was identified within the Company.

Restructuring charges and other related closure costs

The Company is currently engaged in three major restructuring plans, the Manufacturing consolidation plan, the $600-650 million net opex plan and the Digital restructuring plan which are described hereafter.

In July 2013, the Company announced that it will wind down certain 6-inch manufacturing lines and consolidate back-end activities in China to Shenzhen (the "Manufacturing consolidation plan").

Further to the announcement on December 10, 2012 to reduce the Company's net operating expenses comprised of combined selling, general and administrative and research and development expenses, net of R&D grants, to the level of $600 million to $650 million on a quarterly basis by the beginning of 2014, the Company committed restructuring actions in 2013 (the "$600-650 million net opex plan").

In October 2012, the Company announced a savings plan (the "Digital restructuring plan"), impacting primarily the Digital Convergence Group product line, designed to achieve $150 million in annual savings upon completion by the end of 2013.

In 2013, the Company incurred restructuring charges and other related closure costs for $183 million corresponding to:

- $88 million for the $600-650 million net opex plan corresponding to employee termination benefits;
- $69 million recorded before ST-Ericsson deconsolidation for the ST-Ericsson exit, primarily related to employee termination benefits, net of an adjustment of $31 million mainly resulting from a significant reduction of estimated restructured employees in Sweden, as part of the exit of ST-Ericsson;
- $9 million recorded before ST-Ericsson deconsolidation for the ST-Ericsson restructuring plans, primarily related to employee termination benefits;
- $8 million for the Manufacturing consolidation plan corresponding to employee termination benefits; and
- $9 million for other restructuring plans.

In 2012, the Company incurred restructuring charges and other related closure costs for $108 million corresponding to:

- $64 million for the ST-Ericsson April 2012 restructuring plan composed of $60 million employee termination benefits and $4 million other closure costs mainly related to lease contract terminations pursuant to the closure of certain locations;
- $20 million for the ST-Ericsson cost savings plan primarily related to employee termination benefits and lease contract termination costs recorded at cease-use date pursuant to the closure of certain locations;
- $13 million for the Digital restructuring plan primarily related to employee termination benefits; and
- $11 million for other restructuring plans.

In 2011, the Company incurred restructuring charges and other related closures costs for $71 million corresponding to:

- $34 million for the manufacturing restructuring plan, corresponding primarily to lease contract termination costs recorded at cease-use date and one-time termination benefits to be paid to employees who rendered services until the complete closure of the Carrollton (Texas) and Phoenix (Arizona) fabs. This plan was substantially finalized in the second quarter of 2011;
- $26 million for the ST-Ericsson cost savings plan, consisting mainly in ongoing termination benefits accrued for involuntary leaves and benefits paid within voluntary leave arrangements;
- $6 million for the ST-Ericsson restructuring plan composed of $3 million employee termination benefits and $3 million lease contract termination costs and other closure costs pursuant to the closure of certain locations; and
- $5 million restructuring charges and other related closure costs related to other committed restructuring initiatives.

Changes to the restructuring provisions recorded on the consolidated balance sheets from December 31, 2011 to December 31, 2013 are summarized as follows:

	ST-Ericsson exit	ST-Ericsson restructuring plans	$600-650 million net opex plan	Digital restructuring plan	Manufacturing Restructuring plan	Manufacturing consolidation	Other restructuring initiatives	Total
Provision as at December 31, 2011	**—**	**36**	**—**	**—**	**4**	**—**	**13**	**53**
Charges incurred in 2012	8	96	—	13	2	—	3	122
Adjustments for unused provisions	—	(11)	—	—	—	—	(3)	(14)
Amounts paid	—	(65)	—	(1)	(3)	—	(4)	(73)
Currency translation effect	—	3	—	—	—	—	-3	
Provision as at December 31, 2012	**8**	**59**	**—**	**12**	**3**	**—**	**9**	**91**
Charges incurred in 2013	100	12	88	3	—	8	6	217
Adjustments for unused provisions	(31)	(3)	—	—	—	—	—	(34)
Amounts paid	(30)	(56)	(44)	(9)	(1)	—	(7)	(147)
Currency translation effect	(1)	—	2	—	—	—	—	1
ST-Ericsson break-up and deconsolidation	(46)	(12)	—	—	—	—	6	(52)
Provision as at December 31, 2013	**—**	**—**	**46**	**6**	**2**	**8**	**14**	**76**

An amount of $65 million is expected to be paid within twelve months, as detailed in Note 12.

The manufacturing restructuring plan, which was expected to result in pre-tax charges in the range of $270 to $300 million, resulted in a total charge of $313 million. This plan is now completed.

The Digital restructuring plan is expected to result in a total pre-tax charge of $25 million to $30 million, of which $16 million have been incurred as of December 31, 2013. The plan is substantially completed in 2013.

The $600-650 million net opex plan resulted in an $88 million charge incurred as of December 31, 2013. The plan is currently expected to be completed in 2014.

The Manufacturing consolidation plan resulted in an $8 million charge incurred as of December 31, 2013. The plan is expected to be completed in 2015.

Upon the ST-Ericsson deconsolidation as of September 1, 2013, all the ST-Ericsson restructuring plans have been deconsolidated by the Company.

In 2013, total amounts paid for restructuring and related closure costs amounted to $147 million. The total actual costs that the Company will incur may differ from these estimates based on the timing required to complete the restructuring plan, the number of people involved, the final agreed termination benefits and the costs associated with the transfer of equipment, products and processes.

19. INTEREST EXPENSE, NET

Interest expense, net consisted of the following:

	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Income	**18**	41	21
Expense	**(23)**	(76)	(46)
Total	**(5)**	(35)	(25)

No borrowing cost was capitalized in 2013, 2012 and 2011. Interest income on government Bonds and floating rate notes classified as available-for-sale marketable securities amounted to less than $1 million for the year ended December 31, 2013, $2 million for the year ended December 31, 2012 and to $6 million for the year ended December 31, 2011.

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In 2013, net interest included a one-time interest payment received with respect to a U.S. tax refund in the second quarter of 2013.

20. INCOME TAX

Income (loss) before income tax is comprised of the following:

	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Income (loss) recorded in The Netherlands	**(30)**	(33)	54
Income (loss) from foreign operations	**(562)**	(2,104)	282
Income (loss) before income tax benefit (expense)	**(592)**	(2,137)	336

STMicroelectronics N.V. and its subsidiaries are individually liable for income taxes in their jurisdictions. Tax losses can only offset profits generated by the taxable entity incurring such loss.

Income tax benefit (expense) is comprised of the following:

	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2011
The Netherlands taxes – current	**5**	(1)	(11)
Foreign taxes – current	**(90)**	(130)	(104)
Current taxes	**(85)**	(131)	(115)
The Netherlands taxes – deferred	**—**	—	(2)
Foreign taxes – deferred	**48**	80	(64)
Income tax benefit (expense)	**(37)**	(51)	(181)

The principal items comprising the differences in income taxes computed at the Netherlands statutory rate of 25.0% in 2013, 2012 and 2011, and the effective income tax rate are the following:

	Year ended December 31, 2013	Year ended December 31, 2012	Year ended December 31, 2011
Income tax benefit (expense) computed at statutory rate	**148**	534	(84)
Non-deductible, non-taxable and other permanent differences, net	**(2)**	(81)	(2)
Income (loss) on equity-method investments	**(31)**	(6)	(7)
Valuation allowance adjustments	**(83)**	(197)	(130)
Current year credits	**60**	77	94
Other tax and credits	**(42)**	(17)	(32)
Benefits from tax holidays	**18**	38	113
Impact of uncertain tax positions	**(33)**	(83)	(2)
Earnings of subsidiaries taxed at different rates	**(72)**	(316)	(131)
Income tax benefit (expense)	**(37)**	(51)	(181)

The valuation allowance adjustments of 2013 include $32 million related to the activities of ST-Ericsson companies until their deconsolidation. In 2013, 2012 and 2011, the line “Earnings of subsidiaries taxed at different rates” includes a decrease of $57 million, $320 million and $131 million, respectively, mainly related to tax rate differences due to tax holidays for countries in a loss position.

The tax holidays represent a tax exemption period aimed to attract foreign technological investment in certain tax jurisdictions. The effect of the tax benefits, from tax holidays for countries which are profitable, on basic earnings per share was $0.02, $0.04 and $0.13 for the years ended December 31, 2013, 2012, and 2011, respectively. These agreements are present in various countries and include programs that reduce up to and including 100% of taxes in years affected by the agreements. The Company's tax holidays expire at various dates through the year ending December 31, 2022. In certain countries, tax holidays can be renewed depending on the Company still meeting certain conditions at the date of expiration of the current tax holidays.

Deferred tax assets and liabilities consisted of the following:

	December 31, 2013	December 31, 2012
Tax loss carryforwards and investment credits	**658**	820
Less unrecognized tax benefit	**(229)**	—
Tax loss carryforward net of unrecognized tax benefit	**429**	820
Inventory valuation	**14**	24
Impairment and restructuring charges	**63**	61
Fixed asset depreciation in arrears	**58**	75
Capitalized development costs	**45**	
Receivables for government funding	**22**	15
Tax credits granted on past capital investments	**1,131**	1,114
Pension service costs	**66**	97
Stock awards	**2**	—
Commercial accruals	**10**	10
Other temporary differences	**70**	98
Total deferred tax assets	**1,910**	2,314
Valuation allowances	**(1,454)**	(1,634)
Deferred tax assets, net	**456**	680
Accelerated fixed asset depreciation	**(58)**	(64)
Acquired intangible assets	**(11)**	(30)
Advances of government funding	**(35)**	(26)
Other temporary differences	**(13)**	(34)
Deferred tax liabilities	**(117)**	(154)
Net deferred income tax asset	**339**	526

At the end of December 2013, the tax loss carryforward and the valuation allowance decreased by $240 and $258 million respectively, mainly due to the deconsolidation of ST-Ericsson companies.

For a particular tax-paying component of the Company and within a particular tax jurisdiction, all current deferred tax liabilities and assets are offset and presented as a single amount, similarly to non-current deferred tax liabilities and assets. The Company does not offset deferred tax liabilities and assets attributable to different tax-paying components or to different tax jurisdictions.

The net deferred tax assets are recorded in legal entities which have been historically profitable and are expected to be profitable in the next coming years.

As of December 31, 2013, the Company and its subsidiaries have gross deferred tax assets on tax loss carryforwards and investment credits that expire starting 2014, as follows:

Year	
2014	**8**
2015	**22**
2016	**19**
2017	**15**
2018	**13**
Thereafter	**581**
Total	**658**

The valuation allowance for a particular tax jurisdiction is allocated between current and non-current deferred tax assets for that jurisdiction on a pro rata basis. The "Tax credits granted on past capital investments" mainly related to a 2003 agreement granting the Company certain tax credits for capital investments purchased through the year ending December 31, 2006. Any unused tax credits granted under the agreement will continue to increase yearly by a legal inflationary index (currently 0.56% per annum). The credits may be utilized through 2020 or later depending on the Company meeting certain program criteria. In addition to this agreement, starting in 2007 the Company continues to receive tax credits on the yearly capital investments, which may be used to offset that year's tax liabilities and increases by the legal inflationary rate. However, pursuant to the inability to utilize these credits currently and in future years, the Company did not recognize any deferred tax asset on such tax allowance. As a result, there is no financial impact to the net deferred tax assets of the Company.

The amount of deferred tax benefit (expense) recorded as a component of other comprehensive income (loss) was $(31) million in 2013 and was related primarily to the tax effects of the recognized unfunded status on defined benefits plan. In 2012, it was not material.

The cumulative amount of distributable earnings related to the Company's investments in foreign subsidiaries and corporate joint ventures was $859 million as at December 31, 2013. Due to the Company's legal and tax structure, with the parent company established in the Netherlands, there was no significant tax impact from the distribution of earnings from investments in foreign subsidiaries and corporate joint ventures. This is because there is no tax impact on dividends paid up to a Dutch holding company.

A reconciliation of 2013, 2012 and 2011 beginning and ending amounts of unrecognized tax benefits is as follows:

	December 31, 2013	December 31, 2012	December 31, 2011
Balance at beginning of year	227	148	149
Additions based on tax positions related to the current year	52	44	36
Additions for tax positions of prior years	27	39	19
Reduction for tax positions of prior years	(48)	—	(3)
Reduction for lapse of statute of limitations	—	—	(50)
Reduction due to ST-Ericsson deconsolidation	(8)	—	—
Settlements	—	(1)	—
Prepayment	(1)	(6)	—
Foreign currency translation	6	3	(3)
Balance at end of year	**255**	**227**	**148**

At December 31, 2013, $229 million of unrecognized tax benefits were classified as a reduction of deferred tax assets. At December 31, 2013, there were no unrecognized tax benefits that if recognized would affect the annual effective tax rate while at December 31, 2012, there were $26 million. It is reasonably possible that certain of the uncertain tax positions disclosed in the table above could increase within the next 12 months due to ongoing tax audits. The Company is not able to make an estimate of the range of the reasonably possible change.

Additionally, the Company elected to classify accrued interest and penalties related to uncertain tax positions as components of income tax expense in its consolidated statements of income. Interest and penalties are not material for the years presented or on a cumulative basis.

The tax years that remain open for review in the Company's major tax jurisdictions, including France, Italy, United States and India, are from 1996 to 2013.

21. COMMITMENTS

The Company's commitments as of December 31, 2013 were as follows:

In millions of U.S. dollars	Total	2014	2015	2016	2017	2018	Thereafter
Operating leases	**242**	**54**	**37**	**29**	**26**	**22**	**74**
Purchase obligations	**434**	**383**	**48**	**3**	**—**	**—**	**—**
of which:							
Equipment purchase	***163***	***163***	—	—	—	—	—
Foundry purchase	***92***	***92***	—	—	—	—	—
Software, design, technologies and licenses	***179***	***128***	***48***	***3***	—	—	—
Other obligations	**481**	**155**	**120**	**100**	**80**	**24**	**2**
Total	**1,157**	**592**	**205**	**132**	**106**	**46**	**76**

As a consequence of the Company's planned closures of certain of its manufacturing facilities, some of the contracts as reported above have been terminated. The termination fees for the sites still in operation have not been taken into account.

Operating leases are mainly related to building and equipment leases. The amount disclosed is composed of minimum payments for future leases from 2014 to 2018 and thereafter. The Company leases land, buildings, plants and equipment under operating leases that expire at various dates under non-cancellable lease agreements. Operating lease expense was $83 million for the year ended December 31, 2013, $114 million for the year ended December 31, 2012 and $135 million for the year ended December 31, 2011.

Purchase obligations are primarily comprised of purchase commitments for equipment, for outsourced foundry wafers and for software licenses.

Other obligations primarily relate to firm contractual commitments with respect to partnership and cooperation agreements.

22. CONTINGENCIES, CLAIMS AND LEGAL PROCEEDINGS

The Company is subject to possible loss contingencies arising in the ordinary course of business. These include but are not limited to: warranty cost on the products of the Company, breach of contract claims, claims for unauthorized use of third-party intellectual property, tax claims beyond assessed uncertain tax positions as well as claims for environmental damages. In determining loss contingencies, the Company considers the likelihood of impairing an asset or the incurrence of a liability at the date of the financial statements as well as the ability to reasonably estimate the amount of such loss. The Company records a provision for a loss contingency when information available before the financial statements are issued or are available to be issued indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and when the amount of loss can be reasonably estimated. The Company regularly re-evaluates claims to determine whether provisions need to be readjusted based on the most current information available to the Company. Changes in these evaluations could result in an adverse material impact on the Company's results of operations, cash flows or its financial position for the period in which they occur.

The Company has received and may in the future receive communications alleging possible infringements of third party patents or other third party intellectual property rights. Furthermore, the Company from time to time enters into discussions regarding a broad patent cross license arrangement with other industry participants. There is no assurance that such discussions may be brought to a successful conclusion and result in the intended agreement. The Company may become involved in costly litigation brought against the Company regarding patents, mask works, copyrights, trademarks or trade secrets. In the event that the outcome of any litigation would be unfavorable to the Company, the Company may be required to take a license to third party patents and/or other intellectual property rights at economically unfavorable terms and conditions, and possibly pay damages for prior use and/or face an injunction, all of which individually or in the aggregate could have a material adverse effect on the Company's results of operations, cash flows, financial position and/or ability to compete.

The Company is otherwise also involved in various lawsuits, claims, investigations and proceedings incidental to its business and operations.

Litigation with Tessera

In 2006, Tessera initiated a patent infringement lawsuit against the Company and numerous other semiconductor manufacturers in the U.S. District Court for the Northern District of California. Tessera claims that the Company's ball grid array packages infringe certain patents owned by Tessera, and that the Company breached a 1997 license agreement by failing to pay royalties to Tessera on sales of products in certain ball grid array packages. Tessera then filed a complaint in 2007 with the U.S. International Trade Commission in Washington, D.C. ("ITC") against the Company and numerous other parties. During the ITC proceedings, the District Court action was stayed. On May 20, 2009, the ITC issued a limited exclusion order as well as a cease and desist order, both of which were terminated when the Tessera patents expired in September 2010. The U.S. Court of Appeals for the Federal Circuit subsequently affirmed the ITC's decision and on November 28, 2011 the U.S. Supreme Court denied the defendants' petition for review, and the ITC decision became final. In January 2012, the District Court proceedings were revived in California. The District Court has appointed a special master to advise it on technical issues. Trial is scheduled for August 25, 2014. In May 2013, Tessera served its opening expert's report on damages which opines that Tessera is entitled to $181 million in damages (including interest) based on the Company's sales of allegedly infringing products from 2000 through 2010. The Company's opening expert's report on damages opines that the Company's damages should be more in the range of $5 million to $8 million if an adverse judgment were to be entered against the Company.

Litigation with Rambus

On December 1, 2010, Rambus filed a complaint with the ITC against the Company and numerous other parties, asserting that the Company engaged in unfair trade practices by importing certain semiconductor chips that include memory controllers and/or certain peripheral interface technologies such as SerDes, PCI Express, SATA and SAS that allegedly infringe certain patents owned by Rambus. The complaint sought an exclusion order to bar importation into the United States of all accused semiconductor chips that infringe any claim of the asserted patents, as well as products of certain party customers incorporating the same. On July 25, 2012, the ITC elected to terminate the ITC investigation with a finding of no violation of section 337 of the Tariff Act of 1930. On September 25, 2012, Rambus filed a notice of appeal with the U.S. Court of Appeals for the Federal Circuit. Also on December 1, 2010, Rambus filed a lawsuit against the Company and other co-defendants in the U.S. District Court for the Northern District of California alleging infringement of nineteen Rambus patents. On June 17, 2013, the Company and Rambus announced a comprehensive settlement and license agreement pursuant to which all pending litigation between the parties was resolved.

The resolution of litigation proceedings which the Company faces, including the matters referred to above, involve complex questions of fact and law. The results of legal proceedings are uncertain. Adverse determination in any of these types of disputes may have a material adverse impact on the Company's financial results and operations. The Company currently estimates that possible losses for known claims are in the range of $30 million to $50 million.

Other Contingencies

The Company regularly evaluates claims and legal proceedings together with their related probable losses to determine whether they need to be adjusted based on the current information available to the Company. There can be no assurance that its recorded reserves will be sufficient to cover the extent of its potential liabilities. Legal costs associated with claims are expensed as incurred. In the event of litigation which is adversely determined with respect to the Company's interests, or in the event the Company needs to change its evaluation of a potential third-party claim, based on new evidence or communications, a material adverse effect could impact its operations or financial condition at the time it were to materialize. As of December 31, 2013, provisions for estimated probable losses with respect to claims and legal proceedings were not considered material.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

23.1 Financial risk factors

The Company is exposed to changes in financial market conditions in the normal course of business due to its operations in different foreign currencies and its ongoing investing and financing activities. The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Corporate Treasury). Simultaneously, a Treasury Committee, chaired by the CFO, steers treasury activities and ensures compliance with corporate policies. Treasury activities are thus regulated by the Company's policies, which define procedures, objectives and controls. The policies focus on the management of financial risk in terms of exposure to market risk, credit risk and liquidity risk. Treasury controls are subject to internal audits. Most treasury activities are centralized, with any local treasury activities subject to oversight from head treasury office. Corporate Treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. It provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, price risk, credit risk, use of derivative financial instruments, and investments of excess liquidity. The majority of cash and cash equivalents is held in U.S. dollars and Euros and is placed with financial institutions rated at least a single "A" long-term rating from two of the major rating agencies, meaning at least A3 from Moody's Investor Service and A- from Standard & Poor's and Fitch Ratings, or better. These ratings are closely and continuously monitored in order to manage exposure to the counterparty's risk. Hedging transactions are performed only to hedge exposures deriving from operating, investing and financing activities conducted in the normal course of business.

Market risk

Foreign exchange risk

The Company conducts its business on a global basis in various major international currencies. As a result, the Company is exposed to adverse movements in foreign currency exchange rates, primarily with respect to the Euro. Foreign exchange risk mainly arises from recognized assets and liabilities at the Company's subsidiaries and future commercial transactions.

Management has set up a policy to require the Company's subsidiaries to hedge their entire foreign exchange risk exposure with the Company through financial instruments transacted or overseen by Corporate Treasury. To manage their foreign exchange risk arising from foreign-currency-denominated assets and liabilities, subsidiaries use forward contracts and purchased currency options. Foreign exchange risk arises when recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. These instruments do not qualify as hedging instruments for accounting purposes. Forward contracts and currency options, including collars, are also used by the Company to reduce its exposure to U.S. dollar fluctuations in Euro-denominated forecasted intercompany transactions that cover a large part of its research and development, selling, general and administrative expenses as well as a portion of its front-end manufacturing costs of semi-finished goods. The Company also hedges through the use of currency forward contracts certain Singapore dollar-denominated manufacturing forecasted transactions. The derivative instruments used to hedge these forecasted transactions meet the criteria for designation as cash flow hedge. The hedged forecasted transactions have a high probability of occurring for hedge accounting purposes.

It is the Company's policy to have the foreign exchange exposures in all the currencies hedged month by month against the monthly standard rate. At each month end, the forecasted flows for the coming month are hedged together with the fixing of the new standard rate. For this reason the hedging transactions will have an exchange rate very close to the standard rate at which the forecasted flows will be recorded on the following month. As such, the foreign exchange exposure of the Company, which consists in the balance sheet positions and other contractually agreed transactions, is always equivalent to zero and any movement in the foreign exchange rates will not therefore influence the exchange effect on items of the consolidated statement of income. Any discrepancy from the forecasted values and the actual results is constantly monitored and prompt actions are taken, if needed.

Derivative Instruments Not Designated as a Hedge

As described above, the Company enters into foreign currency forward contracts and currency options to reduce its exposure to changes in exchange rates and the associated risk arising from the denomination of certain assets and liabilities in foreign currencies in the Company's subsidiaries. These include receivables from international sales by various subsidiaries, payables for foreign currency-denominated purchases and certain other assets and liabilities arising from intercompany transactions.

The notional amount of these financial instruments totaled $319 million, $817 million and $517 million at December 31, 2013, 2012 and 2011, respectively. The principal currencies covered are the Singapore dollar, the Swiss franc, the Indian rupee, the China Yuan Renminbi, the British pound and the Japanese yen.

The risk of loss associated with forward contracts is equal to the exchange rate differential from the time the contract is entered into until the time it is settled. The risk of loss associated with purchased currency options is equal to the premium paid when the option is not exercised.

Foreign currency forward contracts and currency options not designated as cash flow hedge outstanding as of December 31, 2013 have remaining terms of 6 days to 11 months, maturing on average after 40 days.

Derivative Instruments Designated as a Hedge

To further reduce its exposure to U.S. dollar exchange rate fluctuations, the Company hedges through the use of currency forward contracts and currency options, including collars, certain Euro-denominated forecasted intercompany transactions that cover at year-end a large part of its research and development, selling, general and administrative expenses, as well as a portion of its front-end manufacturing costs of semi-finished goods. The Company also hedges through the use of currency forward contracts certain manufacturing transactions denominated in Singapore dollars.

The principles regulating the hedging strategy for derivatives designated as cash flow hedge are established as follows: (i) for R&D and corporate costs, up to 80% of the total forecasted transactions; (ii) for manufacturing costs, up to 70% of the total forecasted transactions. In order to follow a dynamic hedge strategy, the Company may change the percentage of the designated hedged item within the limit of 100% of the forecasted transaction. The maximum length of time over which the Company could hedge its exposure to the variability of cash flows for forecasted transactions is 24 months.

For the year ended December 31, 2013, the Company recorded a decrease in cost of sales and operating expenses of $16 million and $17 million, respectively, related to the realized gain incurred on such hedged transactions. For the year ended December 31, 2012 the Company recorded an increase in cost of sales and operating expenses of $39 million and $32 million, respectively, related to the realized loss incurred on such hedged transactions. For the year ended December 31, 2011 the Company recorded a reduction in cost of sales and operating expenses of $65 million and $52 million, respectively, related to the realized gain incurred on such hedged transactions. No significant ineffective portion of the hedge was recorded on the line "Other income and expenses, net" of the consolidated statements of income for the years ended December 31, 2013, 2012 and 2011.

The notional amount of foreign currency forward contracts and currency options, including collars, designated as cash flow hedge totaled $1,702 million, $1,552 million and $1,759 million at December 31, 2013, 2012 and 2011, respectively. The forecasted transactions hedged at December 31, 2013 were determined to have a high probability of occurring.

As of December 31, 2013, $38 million of deferred gains on derivative instruments, before deferred tax of $5 million, included in "Accumulated other comprehensive income (loss)" were expected to be reclassified as earnings during the next 12 months based on the monthly forecasted research and development expenses, corporate costs and semi-finished manufacturing costs. No amount was reclassified as "Other income and expenses, net" into the consolidated statement of income from "Accumulated other comprehensive income (loss)" in the consolidated statement of equity. As of December 31, 2012, $29 million of deferred gains on derivative instruments, before deferred tax of $3 million, included in "Accumulated other comprehensive income (loss)" were expected to be reclassified as earnings during the next 12 months based on the monthly forecasted research and development expenses, corporate costs and semi-finished manufacturing costs. No amount was reclassified as "Other income and expenses, net" into the consolidated statement of income from "Accumulated other comprehensive income (loss)" in the consolidated statement of equity. Foreign currency forward contracts, currency options and collars designated as cash flow hedge outstanding as of December 31, 2013 have remaining terms of 2 days to 11 months, maturing on average after 107 days.

As at December 31, 2013, the Company had the following outstanding derivative instruments that were entered into to hedge Euro-denominated and Singapore dollar-denominated forecasted transactions:

In millions of Euros	Notional amount for hedge on forecasted R&D and other operating expenses	Notional amount for hedge on forecasted manufacturing costs
Forward contracts	187	207
Currency options	49	105
Currency collars	253	348

In millions of Singapore dollars	Notional amount for hedge on forecasted R&D and other operating expenses	Notional amount for hedge on forecasted manufacturing costs
Forward contracts	—	149

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Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Since all the liquidity of the Company is invested in floating rate instruments, the Company's interest rate risk arises from the mismatch of fixed rate liabilities and floating rate liquid assets.

Price risk

As part of its ongoing investing activities, the Company may be exposed to equity security price risk for investments in public entities. In order to hedge the exposure to this market risk, the Company may enter into certain derivative hedging transactions.

Information on fair value of derivative instruments and their location in the consolidated balance sheets as at December 31, 2013 and December 31, 2012 is presented in the table below:

In millions of U.S. dollars	**As at December 31, 2013**		As at December 31, 2012	
Asset Derivatives	Balance sheet location	Fair value	Balance sheet location	Fair value
Derivatives designated as a hedge:				
Foreign exchange forward contracts	Other current assets	**26**	Other current assets	**21**
Currency collars	Other current assets	**10**	Other current assets	**8**
Currency options	Other current assets	**5**	Other current assets	**—**
Total derivatives designated as a hedge		**41**		**29**
Derivatives not designated as a hedge:				
Foreign exchange forward contracts	Other current assets	**2**	Other current assets	**7**
Total derivatives not designated as a hedge:		**2**		**7**
Total Derivatives		**43**		**36**

In millions of U.S. dollars	**As at December 31, 2013**		As at December 31, 2012	
Liability Derivatives	Balance sheet location	Fair value	Balance sheet location	Fair value
Derivatives designated as a hedge:				
Foreign exchange forward contracts	Other payables and accrued liabilities	**(1)**	Other payables and accrued liabilities	—
Currency collars	Other payables and accrued liabilities	**(2)**		
Total derivatives designated as a hedge		**(3)**		—
Derivatives not designated as a hedge:				
Foreign exchange forward contracts	Other payables and accrued liabilities	**(1)**	Other payables and accrued liabilities	(1)
Total derivatives not designated as a hedge:		**(1)**		(1)
		(4)		
Total Derivatives				(1)

The effect on the consolidated statements of income for the year ended December 31, 2013 and December 31, 2012 and on the "Accumulated other comprehensive income (loss)" ("AOCI") as reported in the statements of equity as at December 31, 2013 and December 31, 2012 of derivative instruments designated as cash flow hedge is presented in the table below:

In millions of U.S. dollars	Gain (loss) deferred in OCI on derivative		Location of gain (loss) reclassified from OCI into earnings	Gain (loss) reclassified from OCI into earnings	
	December 31, 2013	December 31, 2012		**December 31, 2013**	December 31, 2012
Foreign exchange forward contracts	**14**	11	Cost of sales	**13**	(25)
Foreign exchange forward contracts	**2**	1	Selling, general and administrative	**2**	(2)
Foreign exchange forward contracts	**10**	9	Research and development	**13**	(18)
Currency options	**1**	—	Cost of sales	**—**	(1)
Currency options	**1**	—	Research and development	**—**	(1)
Currency collars	**6**	5	Cost of sales	**3**	(13)
Currency collars	**1**	1	Selling, general and administrative	**1**	(3)
Currency collars	**3**	2	Research and development	**1**	(8)
Total	**38**	29		**33**	(71)

No significant ineffective portion of the cash flow hedge relationships was recorded in earnings for the years ended December 31, 2013 and December 31, 2012. No amount was excluded from effectiveness measurement on foreign exchange forward contracts, currency options and collars.

The effect on the consolidated statements of income for the year ended December 31, 2013 and December 31, 2012 of derivative instruments not designated as a hedge is presented in the table below:

In millions of U.S. dollars	Location of gain recognized in earnings	Gain recognized in earnings	
		December 31, 2013	December 31, 2012
Foreign exchange forward contracts	Other income and expenses, net	**10**	20
Total		**10**	20

The Company did not enter into any derivative containing significant credit-risk-related contingent features.

The Company entered into currency collars as combinations of two options, which are reported, for accounting purposes, on a net basis. The fair value of these collars represented as at December 31, 2013 assets totaling $10 million (a gross amount of recognized assets of $11 million offset with a liability of $1 million) and liabilities totaling $2 million (a gross amount of recognized liabilities of $2 million net of assets with a nil value). In addition, the Company entered into other derivative instruments, primarily forward contracts, which are governed by standard International Swaps and Derivatives Association ("ISDA") agreements, which are not offset in the statement of financial position, and representing total assets of $33 million and liabilities of $2 million as at December 31, 2013.

Credit risk

The Company selects banks and/or financial institutions that operate with the group based on the criteria of long-term rating from at least two major Rating Agencies and keeping a maximum outstanding amount per instrument with each bank not to exceed 20% of the total. This percentage is reviewed and is always kept at a maximum of 15% for major counterparty banks with high capitalization. Due to the concentration of part of its operations in

Europe, primarily in France and in Italy, the Company assessed in 2013, 2012 and 2011 the level of direct and indirect exposures in the Euro zone. The analysis focused on cash and cash equivalents, loans and receivables, deferred tax assets and other financial assets held in European countries experiencing economic, fiscal or political strains that increase the likelihood of default. To identify the countries at risk, the Company considered recent economic developments, such as credit downgrades, widening credit spreads and public deficit reduction plans and the impact such developments could have on the Company's financial position, results of operations, liquidity, and capital resources. The assessment also aimed at identifying indirect exposures to the current economic environment in the Euro zone, such as concentrations of cash and financial instruments with financial institutions highly exposed to the sovereign debt crisis. The Company concluded that the situation in the Euro zone was in evolution but that no factors indicated a high level of credit risk exposure due to a sovereign default in the short term.

The Company monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. If certain customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with limits set by management. The utilization of credit limits is regularly monitored. Sales to customers are primarily settled in cash. At December 31, 2013 and 2012, no customer represented more than 10% of trade accounts receivable, net. Any remaining concentrations of credit risk with respect to trade receivables are limited due to the large number of customers and their dispersion across many geographic areas.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents, short-term deposits and marketable securities, the availability of funding from committed credit facilities and the ability to close out market positions. The Company's objective is to maintain a significant cash position and a low debt-to-equity ratio, which ensure adequate financial flexibility. Liquidity management policy is to finance the Company's investments with net cash provided from operating activities.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows.

23.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to create value for shareholders and benefits and returns for other stakeholders, as to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Company may review the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

Consistent with others in the industry, the Company monitors capital on the basis of the net debt-to-equity ratio. This ratio is calculated as the net financial position of the Company, defined as the difference between total cash position (cash and cash equivalents, marketable securities – current and non-current-, short-term deposits and current restricted cash, if any) net of total financial debt (bank overdrafts, if any, short-term borrowings and current portion of long-term debt as well as long-term debt), divided by total parent company stockholders' equity.

23.3 Fair value measurement

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the bid price. If the market for a financial asset is not active and if no observable market price is obtainable, the Company measures fair value by using significant assumptions and estimates. When measuring fair value, the Company makes maximum use of market inputs and minimizes the use of unobservable inputs.

The table below details financial assets (liabilities) measured at fair value on a recurring basis as at December 31, 2013:

Description In millions of U.S. dollars	December 31, 2013	Fair Value Measurements using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Euro-denominated Senior debt Floating Rate Notes issued by financial institutions	27	27	—	—
U.S.-denominated Senior debt Floating Rate Notes issued by financial institutions	30	30	—	—
Equity securities classified as available-for-sale	11	11	—	—
Equity securities classified as held-for-trading	8	8	—	—
Derivative instruments designated as cash flow hedge	38	—	38	—
Derivative instruments not designated as a hedge	1	—	1	—
Total	115	76	39	—

The table below details financial assets (liabilities) measured at fair value on a recurring basis as at December 31, 2012:

Description In millions of U.S. dollars	December 31, 2012	Fair Value Measurements using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities issued by the U.S. Treasury	**150**	150	—	—
Euro-denominated Senior debt Floating Rate Notes issued by financial institutions	**59**	59	—	—
U.S.-denominated Senior debt Floating Rate Notes issued by financial institutions	**29**	29	—	—
Equity securities classified as available-for-sale	**10**	10	—	—
Equity securities classified as held-for-trading	**8**	8	—	—
Derivative instruments designated as cash flow hedge	**29**	—	29	—
Derivative instruments not designated as a hedge	**6**	—	6	—
Total	**291**	256	35	—

No asset was measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as at December 31, 2013 and December 31, 2012.

The table below details assets (liabilities) measured at fair value on a non-recurring basis as at December 31, 2013:

In millions of U.S. dollars Description	December 31, 2013	Fair value measurements using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets held for sale	**16**	—	—	16
Total				

The assets held for sale are reported at the lower of net book value and fair value less costs to sell. For fair value measurements using significant unobservable inputs (Level 3), fair value is estimated based on the estimated price that a market participant would pay for equity investments or the indexation of historical costs (indirect cost approach) for property, plant and equipment. The latter approach relies on the principle of substitution according to which a market participant would not pay more for an asset than the cost to replace it with an identical or similar new unit of equivalent utility. Under this approach, the fair value of the asset is determined by adjusting the asset's replacement costs for losses in value attributable to physical, functional and economic obsolescence. For certain tangible assets classified as assets held for sale, replacement costs were deduced by trending historical purchasing and manufacturing costs less soft costs. The price index multipliers applied for indexing replacement costs were estimated based on the historical development of producer price indices.

For assets (liabilities) measured at fair value on a non-recurring basis using significant unobservable inputs (Level 3), the reconciliation between January 1, 2013 and December 31, 2013 is presented as follows:

In millions of U.S. dollars	Fair Value Measurements using Significant Unobservable Inputs (Level 3)
January 1, 2013	—
Assets held for sale	11
Sale of assets	(5)
Deconsolidation of assets	(6)
Veredus asset group	16
December 31, 2013	16
Amount of total losses for the period included in earnings attributable to assets still held at the reporting date	(5)

No significant portion of the aggregate carrying amount of cost-method investments was evaluated for impairment in 2013 and in 2012, since there were no identified events or changes in circumstances that may have had a significant adverse effect on the fair value of the related investments.

As described in Notes 7 and 8, the Company recorded a total impairment charge of $56 million on goodwill and intangible assets associated with the DCG reporting unit. The measurement of goodwill and intangible assets upon impairment testing is classified as a Level 3 fair value measurement due to the significance of unobservable inputs developed using entity-specific information. The Company used the income approach to measure the fair value of the reporting unit. Under the income approach, the fair value was determined based on the present value of the estimated future cash flows associated with the reporting unit. Cash flow projections were based on a plan for the DCG reporting unit that included best estimates about future developments and scenarios of the DCG business. The discount rate used was based on the weighted-average cost of capital adjusted for the relevant risk associated with the business-specific characteristics and the uncertainty related to the business's cash flows.

Prior to conducting the impairment test on goodwill, the Company evaluated the recoverability of the long-lived assets assigned to the DCG reporting unit. The impairment on intangible assets totaled $18 million and was composed of $17 million on acquired technologies and $1 million on capitalized software. The Company used the income approach, which was based on cash flow projections expected to result from their use or potential sale. The discount rate used was based on the weighted-average cost of capital adjusted for the relevant risk associated with the assets.

The following table includes additional fair value information on financial assets and liabilities as at December 31, 2013 and 2012:

Description In millions of U.S. dollars	Level	2013 Carrying Amount	2013 Estimated Fair Value	2012 Carrying Amount	2012 Estimated Fair Value
Cash and cash equivalents	**1**	**1,836**	**1,836**	2,250	2,250
Long-term debt		**1,153**	**1,153**	1,301	1,301
- Bank loans (including current portion)	**2**	**1,153**	**1,153**	839	839
- Senior Bonds	**2**	**—**	**—**	462	462

No securities were in an unrealized loss position as at December 31, 2013.

The table below details securities that were in an unrealized loss position as at December 31, 2012. The securities are segregated by investment type and the length of time that the individual securities have been in a continuous unrealized loss position as of December 31, 2012.

	December 31, 2012					
	Less than 12 months		More than 12 months		Total	
Description	Fair Values	Unrealized Losses	Fair Values	Unrealized Losses	Fair Values	Unrealized Losses
Senior debt floating rate notes	—	—	88	(1)	88	(1)
Total	—	—	88	(1)	88	(1)

The methodologies used to estimate fair value are as follows:

Debt securities classified as available-for-sale

The fair value of these debt securities is estimated based upon quoted market prices for identical instruments.

Foreign exchange forward contracts, currency options and collars

The fair value of these instruments is estimated based upon quoted market prices for similar instruments.

Equity securities classified as available-for-sale

The fair values of these instruments are estimated based upon market prices for the same or similar instruments.

Trading equity securities

The fair value of these instruments is estimated based upon quoted market prices for the same instruments.

Equity securities carried at cost

The non-recurring fair value measurement is based on the valuation of the underlying investments on a new round of third party financing or upon liquidation.

Long-term debt and current portion of long-term debt

The fair value of long-term debt was determined based on quoted market prices, and by estimating future cash flows on a borrowing-by-borrowing basis and discounting these future cash flows using the Company’s incremental borrowing rates for similar types of borrowing arrangements.

Cash and cash equivalents, accounts receivable, bank overdrafts, short-term borrowings, and accounts payable

The carrying amounts reflected in the consolidated financial statements are reasonable estimates of fair value due to the relatively short period of time between the origination of the instruments and their expected realization.

24. RELATED PARTY TRANSACTIONS

Transactions with significant shareholders, their affiliates and other related parties were as follows:

	December 31, 2013	December 31, 2012	December 31, 2011
Sales & other services	**118**	226	269
Research and development expenses	**(121)**	(282)	(235)
Other purchases	**(71)**	(53)	(60)
Accounts receivable	**12**	53	54
Accounts payable	82	62	42

For the years ended December 31, 2013, December 31, 2012 and 2011, the related party transactions were primarily with significant shareholders of the Company, or their subsidiaries and companies in which management of the Company perform similar policymaking functions. These include, but are not limited to: BESI, Cassa Depositi e Prestiti, Flextronics, MicroOLED, Soitec, Oracle and Technicolor. The related party transactions presented in the table above also include transactions between the Company and its equity-method investments as listed in Note 10.

Until the sale of its JVD shares to Ericsson on August 2, 2013, leading to the de-recognition of its equity investment in JVD, the Company purchased R&D services from JVD ($121 million in 2013). For the year ended December 31, 2012, the total R&D services purchased from ST-Ericsson AT SA amounted to $224 million and outstanding trade payables amounted to $44 million.

The Company made a contribution of $0.5 million for the year ended December 31, 2013 to the ST Foundation, a non-profit organization established to deliver and coordinate independent programs in line with its mission. The Company made no contribution to ST Foundation in the year ended December 31, 2012. Certain members of the Foundation's Board are senior members of the Company's management.

25. SEGMENT INFORMATION

The Company operates in two business areas: Semiconductors and Subsystems.

In the Semiconductors business area, the Company designs, develops, manufactures and markets a broad range of products, including discrete and standard commodity components, application-specific integrated circuits ("ASICs"), full custom devices and semi-custom devices and application-specific standard products ("ASSPs") for analog, digital, and mixed-signal applications. In addition, the Company further participates in the manufacturing value chain of Smartcard products, which includes the production and sale of both silicon chips and Smartcards.

In the Subsystems business area, the Company designs, develops, manufactures and markets subsystems and modules for the telecommunications, automotive and industrial markets including mobile phone accessories, battery chargers, ISDN power supplies and in-vehicle equipment for electronic toll payment. Based on its immateriality to its business as a whole, the Subsystems business area does not meet the requirements for a reportable segment as defined in the U.S. GAAP guidance. All the financial values related to Subsystems including net revenues and related costs, are reported in the segment "Others".

Effective January 1, 2013, the segment reporting reflects the Company's strategy announced on December 10, 2012. The strategy takes into account the evolution of the markets the Company is in and the environment seen in the years to come and is based on the Company's leadership in two product segments, supported by a Sales & Marketing organization with a particular focus on the major accounts, as well as expanding the Company's penetration of the mass market and focusing on five growth drivers: Automotive Products, Application Processors, including Digital Consumer Products, MEMS and Sensors, Microcontrollers and Smart Power.

The organization existing in 2013 was as follows:

- Sense & Power and Automotive Products (SP&A), including:
  - Automotive (APG),
  - Industrial & Power Discrete (IPD),
  - Analog & MEMS (AMS), and
  - Other SP&A;
- Embedded Processing Solutions (EPS), comprised of:
  - Digital Convergence Group (DCG),
  - Imaging, BI-CMOS ASIC and Silicon Photonics (IBP),
  - Microcontrollers, Memory & Security (MMS),
  - Wireless (WPS), and
  - Other EPS.

In 2013, the Company revised its results from prior periods in accordance with the new segment structure. The preparation of segment information based on the current segment structure requires management to make estimates and assumptions in determining the operating income (loss) of the segments for the prior reporting periods. The Company believes that the revised 2012 and 2011 presentation is consistent with that of 2013 and is using these comparatives when managing its segments.

The following tables present the Company's consolidated net revenues and consolidated operating income (loss) by product segment. For the computation of the segments' internal financial measurements, the Company uses certain internal rules of allocation for the costs not directly chargeable to the segments, including cost of sales, selling, general and administrative expenses and a significant part of research and development expenses. In compliance with the Company's internal policies, certain cost items are not charged to the segments, including impairment, restructuring charges and other related closure costs, including ST-Ericsson plans, unused capacity charges, phase-out and start-up costs of certain manufacturing facilities, certain one-time corporate items such as the 2012 NXP arbitration award charge, strategic and special research and development programs or other corporate-sponsored initiatives, including certain corporate-level operating expenses and certain other miscellaneous charges. In addition, depreciation and amortization expense is part of the manufacturing costs allocated to the product segments and is neither identified as part of the inventory variation nor as part of the unused capacity charges; therefore, it cannot be isolated in the costs of goods sold.

Net revenues by product segment:

In millions of U.S. dollars	**December 31, 2013**	December 31, 2012	December 31, 2011
Sense & Power and Automotive Products (SP&A)	4,775	4,622	5,120
Embedded Processing Solutions (EPS)	3,269	3,826	4,566
Others(1)	38	45	49
Total consolidated net revenues	**8,082**	8,493	9,735

(1) Includes revenues from sales of Subsystems, sales of materials and other products not allocated to product segments.

Net revenues by product segment and by product line :

In millions of U.S. dollars	**December 31, 2013**	December 31, 2012	December 31, 2011
Automotive (APG)	1,668	1,554	1,678
Industrial & Power Discrete (IPD)	1,801	1,747	2,104
Analog & MEMS (AMS)	1,306	1,320	1,335
Other SP&A	—	1	3
Sense & Power and Automotive Products (SP&A)	**4,775**	**4,622**	**5,120**
Digital Convergence Group (DCG)	735	888	1,084
Imaging, Bi-CMOS ASIC and Silicon Photonics (IBP)	462	437	722
Microcontrollers, Memory & Security (MMS)	1,367	1,147	1,175
Wireless (WPS)	704	1,345	1,552
Other EPS	1	9	33
Embedded Processing Solutions (EPS)	**3,269**	**3,826**	**4,566**
Others	38	45	49
Total consolidated net revenues	**8,082**	**8,493**	**9,735**

Operating income (loss) by product segment:

In millions of U.S. dollars	**December 31, 2013**	December 31, 2012	December 31, 2011
Sense & Power and Automotive Products (SP&A)	270	409	757
Embedded Processing Solutions (EPS)	(399)	(883)	(489)
Total operating income (loss) of product segments	**(129)**	(474)	268
Others [(1)]	**(336)**	(1,607)	(222)
Total consolidated operating income (loss)	**(465)**	(2,081)	46

(1) Operating loss of "Others" includes items such as impairment, restructuring charges and other related closure costs including ST-Ericsson plans, unused capacity charges, phase-out and start-up costs of certain manufacturing facilities, certain one-time corporate items such as the 2012 NXP arbitration award charge and other unallocated expenses such as: strategic or special research and development programs, certain corporate-level operating expenses and other costs that are not allocated to the product segments, as well as operating earnings of the Subsystems and Other Products Group.

Reconciliation of operating income (loss) of segments to the total operating income (loss):

In millions of U.S. dollars	**December 31, 2013**	December 31, 2012	December 31, 2011
Total operating income (loss) of product segments	**(129)**	(474)	268
Strategic and other research and development programs	**(15)**	(12)	(13)
Phase-out and start-up costs	**(5)**	—	(8)
Impairment, restructuring charges and other related closure costs	**(292)**	(1,376)	(75)
Unused capacity charges	**(32)**	(172)	(149)
NXP arbitration award	**—**	(54)	—
Other non-allocated provisions[(1)]	**8**	7	23
Total operating loss Others	**(336)**	(1,607)	(222)
Total consolidated operating income (loss)	**(465)**	(2,081)	46

(1) Includes unallocated income and expenses such as certain corporate-level operating expenses and other costs/income that are not allocated to the product segments.

The following is a summary of operations by entities located within the indicated geographic areas for 2013, 2012 and 2011. Net revenues represent sales to third parties from the country in which each entity is located. Long-lived assets consist of property, plant and equipment, net (PP&E, net). A significant portion of property, plant and equipment expenditures is attributable to front-end and back-end facilities, located in the different countries in which the Company operates. As such, the Company mainly allocates capital spending resources according to geographic areas rather than along product segment areas.

Net revenues

In millions of U.S. dollars	**December 31, 2013**	December 31, 2012	December 31, 2011
The Netherlands	**1,860**	1,524	1,928
France	**289**	189	172
Italy	**78**	131	157
USA	**1,041**	1,014	1,120
Singapore	**3,860**	3,784	4,945
Japan	**420**	418	497
Other countries	**534**	1,433	916
Total	**8,082**	8,493	9,735

Property, plant and equipment

In millions of U.S. dollars	**December 31, 2013**	December 31, 2012
The Netherlands	**333**	241
France	**1,063**	1,222
Italy	**690**	716
Other European countries	**131**	169
USA	**17**	18
Singapore	**341**	441
Malaysia	**195**	238
Other countries	**386**	436
Total	**3,156**	3,481

STMICROELECTRONICS N.V.

VALUATION AND QUALIFYING ACCOUNTS

Valuation and qualifying accounts deducted from the related asset accounts	Balance at beginning of period	Translation adjustment	Charged to costs and expenses	Additions/ (Deductions)	Balance at end of period
	(Currency — millions of U.S. dollars)				
2013					
Inventories	49		58	(69)	38
Accounts Receivable	10	0	2	(3)	9
Deferred Tax Assets	1,634	7	67	(254)	1,454
2012					
Inventories	60		95	(106)	49
Accounts Receivable	15		1	(6)	10
Deferred Tax Assets	1,514	6	123	(9)	1,634
2011					
Inventories	50		103	(93)	60
Accounts Receivable	17		1	(3)	15
Deferred Tax Assets	1,396	(11)	138	(9)	1,514

UNOFFICIAL TRANSLATION
ARTICLES OF ASSOCIATION
STMICROELECTRONICS N.V.
dd. 2 December 2013

Name, seat and duration.

Article 1.

1.1. The name of the company is: STMicroelectronics N.V.

1.2. The company is established in Amsterdam.

1.3. The company will continue for an indefinite period.

Objects.

Article 2.

The objects of the company shall be to participate or take in any manner any interests in other business enterprises, to manage such enterprises, to carry on the business in semi-conductors and electronic devices, to take and grant licenses and other industrial property interests, assume commitments in the name of any enterprises with which it may be associated within a group of companies, to take financial interests in such enterprises and to take any other action, such as but not limited to the granting of securities or the undertaking of obligations on behalf of third parties, which in the broadest sense of the term, may be related or contribute to the aforesaid objects.

Share capital.

Article 3.

3.1. The authorized capital of the company amounts to one billion eight hundred nine million six hundred thousand euro (EUR 1,809,600,000), consisting of one billion two hundred million (1,200,000,000) ordinary shares and five hundred forty million (540,000,000) cumulative preference shares, hereinafter referred to as: preference shares, of one euro and four eurocents (EUR 1.04) each.

3.2. Where in these articles of association reference is made to shares and shareholders this shall include the shares of each class as well as the holders of shares of each class respectively, unless explicitly provided otherwise.

Issue of shares.

Article 4.

4.1. The supervisory board shall have the power to issue shares and to determine the terms and conditions of such issue if and in so far as the supervisory board has been designated by the general meeting of shareholders as the authorized body for this purpose. A designation as referred to above shall only take place for a specific period of no more than five years and may not be extended by more than five years on each occasion.

4.2. If a designation as referred to in the first paragraph is not in force, the general meeting of shareholders shall have the power, upon the proposal of and on the terms and conditions set by the supervisory board to resolve to issue shares.

4.3. In the event of an issue of ordinary shares, shareholders shall have a pre-emptive right in proportion to the number of ordinary shares which they own, notwithstanding the provisions of the law. In respect of the issue of shares there shall be no pre-emptive right to shares issued against a contribution other than in cash or issued to employees of the company or of a group company.

In the event of an issue of preference shares none of the shareholders shall have a pre-emptive right.

The supervisory board shall have the power to limit or exclude the pre-emptive right accruing to shareholders, if and in so far as the supervisory board has also been designated by the general meeting of shareholders for this purpose as the authorized body for the period of such designation. The provisions in the second sentence of the first paragraph shall equally apply.

4.4. If a designation as referred to in the third paragraph is not in force, the general meeting of shareholders shall have the power, upon the proposal of the supervisory board, to limit or exclude the pre-emptive right accruing to shareholders.

4.5. A resolution of the general meeting of shareholders to limit or exclude pre-emptive rights or to designate the supervisory board as authorized to resolve upon limiting or excluding of pre-emptive rights requires a majority of at least two-thirds of the votes cast in a meeting if in such meeting less than one-half of the issued share capital is present or represented.

4.6. Without prejudice to what has been provided in section 80, paragraph 2, Book 2, Dutch Civil Code shares shall at no time be issued below par.

4.7. Ordinary shares shall be issued only against payment in full; preference shares may be issued against partial payment, provided that the proportion of the nominal amount that must be paid on each preference share, irrespective of when it was issued, shall be the same and that at least one quarter of the nominal amount is paid up in full when the share is subscribed for.

4.8. Payment must be made in cash to the extent that no other contribution has been agreed upon. If the company so consents, payment in cash can be made in a foreign currency.

In the event of payment in a foreign currency the obligation to pay is for the amount which can be freely exchanged into Dutch currency. The decisive factor is the rate of exchange on the day of payment, or as the case may be after application of the next sentence, on the day mentioned therein. The company can require payment at the rate of exchange on a certain day within two months prior to the last day when payment shall have to be made provided that the shares or depositary receipts for shares after having been issued — shall immediately be incorporated in the price list of an exchange abroad.

4.9. This article shall equally apply to the granting of rights to subscribe for shares, but shall not apply to the issue of shares to someone who exercises a previously acquired right to subscribe for shares.

4.10. The managing board shall determine, subject to the approval by the supervisory board, when and in what amount further payment is to be made in respect of partially paid preference shares. The managing board shall notify the shareholders concerned thereof in writing at least thirty days before the date on which the payment must finally be made.

4.11. The provisions of article 27 paragraph 2 shall apply accordingly to all notifications to shareholders.

Repurchase and cancellation of shares.

Article 5.

5.1. The company may acquire, for valuable consideration, shares in its own share capital if and in so far as:

a. its equity less the purchase price of these shares is not less than the aggregate amount of the paid up and called up capital and the reserves which must be maintained pursuant to the law;

b. the par value of the shares in its capital which the company acquires, holds or holds in pledge, or which are held by a subsidiary company, amounts to no more than one-tenth of the issued share capital; and

c. the general meeting of shareholders has authorized the managing board to acquire such shares, which authorization may be given for no more than eighteen months on each occasion, notwithstanding the further statutory provisions.

5.2. The company may, without being authorized thereto by the general meeting of shareholders and notwithstanding to what is provided in paragraph 1 under a and b, acquire shares in its own share capital in order to transfer those shares to the employees of the company or a group company under a scheme applicable to such employees.

5.3. Shares thus acquired may again be disposed of. The company shall not acquire shares in its own share capital as referred to in paragraph 1 — if an authorization as referred to in such paragraph is in force — or as referred to in paragraph 2 without the prior approval of the supervisory board. The company shall also not dispose of shares in its own share capital — with the exception of shares in the company's own share capital acquired pursuant to paragraph 2 — without the prior approval of the supervisory board.

If depositary receipts for shares in the company have been issued, such depositary receipts shall for the application of the provisions of this paragraph and the preceding paragraph be treated as shares.

5.4. In the general meeting of shareholders no votes may be cast in respect of (a) share(s) held by the company or a subsidiary company; no votes may be cast in respect of a share the depositary receipt for which is held by the company or a subsidiary company. However, the holders of a right of usufruct and the holders of a right of pledge on shares held by the company and its subsidiary companies, are nonetheless not excluded from the right to vote such shares, if the right of usufruct or the right of pledge was granted prior to the time such share was held by the company or a subsidiary company. Neither the company nor a subsidiary company may cast votes in respect of a share on which it holds a right of usufruct or a right of pledge.

Shares in respect of which voting rights may not be exercised by law or by the articles of association shall not be taken into account, when determining to what extent the shareholders cast votes, to what extent they are present or represented or to what extent the share capital is provided or represented.

5.5. Upon the proposal of the supervisory board the general meeting of shareholders shall, with due regard of the provisions of section 99, Book 2, Dutch Civil Code, have the power to decide to reduce the issued share capital by canceling shares or by reducing the par value of shares by an amendment to the articles of association. Cancellation of shares with repayment or partial repayment or a release from the obligation to pay up may also take place solely in respect of preference shares. In case of cancellation of preference shares with repayment, a payment on the relevant shares shall be made in the amount of:

a. the amount paid up on the relevant shares; increased with

b. an amount equal to the dividend not yet declared calculated over the period up to and including the day of repayment, such in the manner as determined in article 37, paragraph 2, sub e.

Shares, share certificates, share register.

Article 6.

6.1. Shares shall be in registered form.

6.2. Ordinary shares shall be available:

- in the form of an entry in the share register without issue of a share certificate; shares of this type are referred to in these articles of association as type I shares;
- and — should the supervisory board so decide — in the form of an entry in the share register with issue of a certificate, which certificate shall consist of a main part without dividend coupon; shares of this type and share certificates of this type are referred to in these articles of association as type II shares.

Preference shares shall only be made available in the form of type I shares.

6.3. The supervisory board can decide that the registration of type I shares may only take place for one or more quantities of shares — which quantities are to be specified by the supervisory board — at the same time.

6.4. Type II share certificates shall be available in such denominations as the supervisory board shall determine.

6.5. All share certificates shall be signed by or on behalf of a managing director; the signature may be effected by printed facsimile. Furthermore type II share certificates shall, and all other share certificates may, be countersigned by one or more persons designated by the managing board for that purpose.

6.6. All share certificates shall be identified by numbers and/or letters.

6.7. The supervisory board can determine that for the purpose of effecting trading or transfer of shares at foreign exchanges share certificates shall be issued in such form as the supervisory board may determine, complying with the requirements set by said foreign exchange(s) and not provided with any dividend sheet.

6.8. The expression “share certificate” as used in these articles of association shall include a share certificate in respect of more than one share.

Article 7.

7.1. Upon written request from a shareholder, missing or damaged share certificates, or parts thereof, may be replaced by new certificates or by duplicates bearing the same numbers and/or letters, provided the applicant proves his title and, in so far as applicable, his loss to the satisfaction of the supervisory board, and further subject to such conditions as the managing board may deem fit.

7.2. In appropriate cases, at its own discretion, the managing board may stipulate that the identifying numbers and/or letters of missing documents be published three times, at intervals of at least one month, in at least three newspapers to be indicated by the managing board announcing the application made; in such a case new certificates or duplicates may not be issued until six months have expired since the last publication, always provided that the original documents have not been produced to the managing board before that time.

7.3. The issue of new certificates or duplicates shall render the original document invalid.

Article 8.

8.1. Notwithstanding the statutory provisions in respect of registered shares a register shall be kept by or on behalf of the company, which register shall be regularly updated and, at the discretion of the managing board, may, in whole or in part, be kept in more than one copy and at more than one place.

A part of the register may be kept abroad in order to meet requirements set out by foreign statutory provisions or provisions of the foreign exchange.

8.2. Each shareholder’s name, his address and such further data as the managing board deems desirable, whether at the request of a shareholder or not, shall be entered in the register.

8.3. The form and the contents of the share register shall be determined by the managing board with due regard to the provisions of paragraphs 1 and 2 of this article.

The managing board may determine that the records shall vary as to their form and contents according to whether they relate to type I shares or to type II shares.

8.4. Upon request a shareholder shall be given free of charge a declaration of what is stated in the register with regard to the shares registered in his name, which declaration may be signed by one of the specially authorized persons to be appointed by the managing board for this purpose.

8.5. The provisions of the last four paragraphs shall equally apply to those who hold a right of usufruct or of pledge on one or more registered shares, with the proviso that the other data required by law must be entered in the register.

Article 9.

9.1. Subject to the provisions of article 6, the holder of an entry in the share register for one or more type I shares may, upon his request and at his option, have issued to him one or more type II share certificates for the same nominal amount.

9.2. Subject to the provisions of article 6, the holder of a type II share certificate registered in his name may, after lodging the share certificate with the company, upon his request and at his option, either have one or more type I shares entered in the share register for the same nominal amount.

9.3. A request as mentioned in this article shall, if the supervisory board so requires, be made on a form obtainable from the company free of charge, which shall be signed by the applicant.

Transfer of shares.

Article 10.

10.1. The transfer of a registered share shall be effected either by service upon the company of the instrument of transfer or by written acknowledgement of the transfer by the company, subject however to the provisions of the following paragraphs of this article.

10.2. Where a transfer of a type II share is effected by service of an instrument of transfer on the company, the company shall, at the discretion of the managing board, either endorse the transfer on the share certificate or cancel the share certificate and issue to the transferee one or more new share certificates registered in his name to the same nominal amount.

10.3. The company's written acknowledgement of a transfer of a type II share shall, at the discretion of the managing board, be effected either by endorsement of the transfer on the share certificates or by the issue to the transferee of one or more new share certificates registered in his name to the same nominal amount.

10.4. The provisions of the foregoing paragraphs of this article shall equally apply to the allotment of registered shares in the event of a judicial partition of any community of property or interests, the transfer of a registered share as a consequence of a judgment execution and the creation of limited rights in rem on a registered share.

If a share certificate has been issued, the acknowledgement can only be effected either by putting an endorsement to that effect on this document, signed by or on behalf of the company, or by replacing this document by a new certificate in the name of the acquirer.

10.5. The submission of requests and the lodging of documents referred to in articles 7 to 10 inclusive shall be made at a place to be indicated by the managing board and in any case the places where the company is admitted to a stock exchange. Different places may be indicated for the different classes and types of shares and share certificates.

10.6. The company is authorized to charge amounts to be determined by the managing board not exceeding cost price to those persons who request any services to be carried out by virtue of articles 7 up to and including 10.

Usufructuaries, pledgees, holders of depositary receipts.

Article 11.

11.1. The usufructuary, who in conformity with the provisions of section 88, Book 2, Dutch Civil Code has no right to vote, and the pledgee who in conformity with the provisions of section 89, Book 2, Dutch Civil Code has no right to vote, shall not be entitled to the rights which by law have been conferred on holders of depositary receipts for shares issued with the cooperation of the company.

11.2. Where in these articles of association persons are mentioned, entitled to attend meetings of shareholders, this shall include holders of depositary receipts for shares issued with the cooperation of the company and persons who in pursuance of paragraph 4 in section 88 or section 89, Book 2, Dutch Civil Code have the rights that by law have been conferred on holders of depositary receipts for shares issued with the cooperation of the company.

Managing board.

Article 12.

12.1. The company shall be managed by a managing board consisting of one or more managing directors under the supervision of the supervisory board. The number of members of the managing board shall be resolved upon by the general meeting of shareholders upon the proposal of the supervisory board. The members of the managing board shall be appointed for three years, a year being understood as meaning the period between two general meetings of shareholders in which the annual accounts of the previous financial year are adopted.

12.2. Managing directors shall be appointed by the general meeting of shareholders upon the proposal of the supervisory board for each vacancy to be filled.

12.3. Without prejudice to the provisions of article 28, paragraph 2, a proposal to appoint one or more managing directors to the managing board may be placed on the agenda of a general meeting of shareholders by the supervisory board.

12.4. The company has a policy regarding the compensation of the managing board. The policy will be adopted by the general meeting of shareholders upon the proposal of the supervisory board.

12.5. The supervisory board shall determine the compensation of the individual managing directors, within the scope of the compensation policy referred to in the previous paragraph. The supervisory board will submit for approval by the general meeting of shareholders a proposal regarding the compensation in the form of shares or rights to acquire shares. This proposal sets forth at least how many shares or rights to acquire shares may be awarded to the managing board and which criteria apply to an award or a modification.

12.6. The general meeting of shareholders shall decide in accordance with the provisions of article 32, paragraph 1.

Votes in respect of persons who have not been so nominated shall be invalid.

Article 13.

13.1. The general meeting of shareholders shall be entitled to suspend or dismiss one or more managing directors, provided that at least half of the issued share capital is represented at the meeting. No such quorum shall be required where the suspension or dismissal is proposed by the supervisory board.

13.2. Where a quorum under paragraph 1 is required but is not present, a further meeting shall be convened, to be held within four weeks after the first meeting, which shall be entitled, irrespective of the share capital represented, to pass a resolution in regard to the suspension or dismissal.

13.3. The managing directors can be jointly or individually suspended by the supervisory board. After suspension a general meeting of shareholders shall be convened within three months, at which meeting it shall be decided whether the suspension shall be cancelled or maintained.

The person involved shall be given the opportunity to account for his actions at that meeting.

Representation.

Article 14.

14.1. The entire managing board as well as each managing director may represent the company.

14.2. The managing board may grant powers of attorney to persons, whether or not in the service of the company, to represent the company and shall thereby determine the scope of such powers of attorney and the titles of such persons.

14.3. The managing board shall have power to perform legal acts as specified in section 94, paragraph 1, Book 2, Dutch Civil Code in so far as such power is not expressly excluded or limited by any provision of these articles of association or by any resolution of the supervisory board.

Article 15.

15.1. The supervisory board shall appoint one of the managing directors as chairman of the managing board. Appointment of the chairman shall be resolved with the majority mentioned in article 22, paragraph 1.

15.2. Resolutions of the managing board shall be passed by simple majority of votes. In the event of a tie of votes the chairman of the managing board shall have a casting vote.

Article 16.

16.1. Without prejudice to provisions made elsewhere in these articles of association, the managing board shall require the prior express approval:

(i) from the supervisory board for decisions relating to:

1. all proposals to be submitted to a vote at the general meeting of shareholders;
2. the formation of all companies, acquisition or sale of any participation, and conclusion of any cooperation and participation agreement;
3. all pluri-annual plans of the company and the budget for the first coming year, covering the following matters:
   - investment policy;
   - policy regarding research and development, as well as commercial policy and objectives;
   - general financial policy;
   - policy regarding personnel;
4. all acts, decisions or operations covered by the above list and constituting a significant change with respect to decisions already adopted by the supervisory board or not provided for in the above list and as specifically laid down by the supervisory board by resolution passed by it to that effect.

(ii) from the general meeting of shareholders with respect to resolutions: regarding a significant change in the identity or nature of the company or the enterprise, including in any event (a) transferring the enterprise or practically the entire enterprise to a third party, (b) entering into or canceling any long-term cooperation between the company or a subsidiary ("*dochtermaatschappij*") and any other legal person or company or as a fully liable general partner of a limited partnership or a general partnership, provided that such cooperation or the cancellation thereof is of essential importance to the company, and (c) the company or a subsidiary (*dochtermaatschappij*) acquiring or disposing of a participating interest in the capital of a company with a value of at least one-third of the company´s total assets according to the consolidated balance sheet and notes thereto in the most recently adopted annual accounts of the company;

the absence of the approval provided for above may not be raised by or against third parties.

16.2. Without prejudice to provisions made elsewhere in these articles of association, the managing board shall require the approval of the general meeting of shareholders according to the law and the provisions of these articles of association as well as such resolutions as are clearly defined by a resolution of the general meeting of shareholders to that effect.

Article 17.

In the event of the absence or inability to act of one of more managing directors the remaining managing directors or managing director shall temporarily be responsible for the entire management. In the event of the absence or inability to act of all managing directors, one or more persons appointed by the supervisory board for this purpose at any time shall be temporarily responsible for the management.

Supervisory board.

Article 18.

18.1. The supervisory board shall be responsible for supervising the policy pursued by the managing board and the general course of affairs of the company and the business enterprise which it operates.

The supervisory board shall assist the managing board with advice relating to the general policy aspects connected with the activities of the company. In fulfilling their duties the supervisory directors shall serve the interests of the company and the business enterprise which it operates.

18.2. The managing board shall provide the supervisory board in good time with all relevant information as well as the information the supervisory board requests, in connection with the exercise of its duties.

18.3. At least once per year the managing board shall inform the supervisory board in writing of the main features of the strategic policy, the general and financial risks and the management and control systems of the company.

The managing board shall then submit to the supervisory board for approval:

a) the operational and financial objectives of the company;

b) the strategy designed to achieve the objectives;

c) the parameters to be applied in relation to the strategy, *inter alia*, regarding financial ratios; and

d) corporate social responsibility issues that are relevant to the enterprise.

Article 19.

19.1. The supervisory board shall consist of at least six members, to be appointed by the general meeting of shareholders upon the proposal of the supervisory board for each vacancy to be filled. The number of supervisory directors shall without prejudice to the preceding sentence be resolved upon by the general meeting of shareholders upon the proposal of the supervisory board.

19.2. The general meeting of shareholders shall decide in accordance with the provisions of article 32, paragraph 1.

19.3. Without prejudice to the provisions of article 28, paragraph 2, a proposal to appoint one or more supervisory directors to the supervisory board may be placed on the agenda of the general meeting of shareholders by the supervisory board.

19.4. The supervisory board shall appoint from among their midst a chairman and a vice-chairman of the supervisory board with the majority mentioned in article 22, paragraph 1.

19.5. Upon the appointment of the supervisory directors the particulars as referred to in section 142, paragraph 3, Book 2, Dutch Civil Code shall be made available for prior inspection.

Article 20.

20.1. The supervisory board may appoint one or more of its members as delegate supervisory director in charge of supervising the managing board on a regular basis. They shall report their findings to the supervisory board. The offices of chairman of the supervisory board and delegate supervisory director are compatible.

20.2. With due observance of these articles of association, the supervisory board may adopt rules regulating the division of its duties among its various supervisory directors.

The supervisory board may also delegate certain of its powers to committees which exclusively consist of members of the supervisory board, such as an audit committee, a compensation committee or any other committee as the supervisory board may resolve to install. In case the authority to resolve upon the issuance of new shares is delegated to the supervisory board, the supervisory board may install a pricing committee which shall exclusively consist of members of the supervisory board and which shall be authorized within the range set in the delegation mentioned above to determine on behalf of the supervisory board the price and conditions for newly issued shares.

20.3. The supervisory board may decide that one or more of its members shall have access to all premises of the company and shall be authorized to examine all books, correspondence and other records and to be fully informed of all actions which have taken place, or may decide that one or more of its supervisory directors shall be authorized to exercise a portion of such powers.

20.4. At the expense of the company, the supervisory board may obtain such advice from experts as the supervisory board deems desirable for the proper fulfillment of its duties.

Article 21.

21.1. A supervisory director shall retire no later than at the first ordinary general meeting of shareholders held after a period of three years following his appointment.

A retired supervisory director may immediately be re-elected.

21.2. The supervisory board may establish a rotation scheme.

21.3. The supervisory directors may be suspended or dismissed by the general meeting of shareholders. The supervisory board may make a proposal to the general meeting of shareholders for the suspension or dismissal of one or more of its supervisory directors.

Article 22.

22.1. The supervisory board may pass resolutions by at least three quarters of the votes of the members in office. Each supervisory director has the right to cast one vote. In case of absence a supervisory director may issue a proxy, however, only to another supervisory director. The proxy should explicitly indicate in which way the vote must be cast. The supervisory board may pass resolutions in writing without holding a meeting provided that the proposals for such resolutions have been communicated in writing to all supervisory directors and no supervisory director is opposed to this method of passing a resolution.

22.2. A certificate signed by two supervisory directors to the effect that the supervisory board has passed a particular resolution shall constitute evidence of such a resolution in dealings with third parties.

22.3. The managing directors shall attend meetings of the supervisory board at the latter's request.

22.4. The supervisory board shall meet whenever two or more of its members or the managing board so requests. Meetings of the supervisory board shall be convened by the chairman of the supervisory board, either on request of two or more supervisory directors or on request of the managing board, or by the supervisory directors requesting the meeting to be held. If the chairman fails to convene a meeting to be held within four weeks of the receipt of the request, the supervisory board members making the request are entitled to convene the meeting.

22.5. The supervisory board shall draw up standing orders regulating inter alia the manner of convening board meetings and the internal procedure at such meetings. These meetings may be held by telephone as well as by video.

Article 23.

The general meeting of shareholders determines the compensation of the members of the supervisory board or of one or more of its members. The meeting shall have authority to decide whether such compensation will consist of a fixed amount and/or an amount that is variable in proportion to profits or any other factor. The supervisory board members shall be reimbursed for their expenses.

Indemnification.

Article 24.

24.1. The company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the company) by reason of the fact that he is or was a supervisory director, managing director, officer or agent of the company, or was serving at the request of the company as a supervisory director, managing director, officer or agent of another company, a partnership, joint venture, trust or other enterprise, against all expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful or out of his mandate. The termination of any action, suit or proceeding by a judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and not in a manner which he reasonably believed to be in or not opposed to the best interests of the company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

24.2. The company shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or proceeding by or in the right of the company to procure a judgment in its favor, by reason of the fact that he is or was a supervisory director, managing director, officer or agent of the company, or is or was serving at the request of the company as a supervisory director, managing director, officer or agent of another company, a partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the company and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for gross negligence or willful misconduct in the performance of his duty to the company, unless and only to the extent that the court in which such action or proceeding was brought or any other court having appropriate jurisdiction shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification against such expenses which the court in which such action or proceeding was brought or such other court having appropriate jurisdiction shall deem proper.

24.3. To the extent that a supervisory director, managing director, officer or agent of the company has been successful on the merits or otherwise in defense of any action, suit of proceeding, referred to in paragraphs 1 and 2, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorney's fees) actually and reasonable incurred by him in connection therewith.

24.4. Any indemnification by the company referred to in paragraphs 1 and 2 shall (unless ordered by a court) only be made upon a determination that indemnification of the supervisory director, managing director, officer or agent is proper in the circumstances because he had met the applicable standard of conduct set forth in paragraphs 1 and 2. Such determination shall be made:

a. either by the supervisory board by a majority vote in a meeting in which a quorum as mentioned in article 22, paragraph 1, and consisting of supervisory directors who where not parties to such action, suit or proceeding, is present;

b. or, if such a quorum is not obtainable or although such a quorum is obtained if the majority passes a resolution to that effect, by independent legal counsel in a written opinion;

c. or by the general meeting of shareholders.

24.5. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the company in advance of the final disposition of such action, suit or proceeding upon a resolution of the supervisory board with respect to the specific case upon receipt of an undertaking by or on behalf of the supervisory director, managing director, officer or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the company as authorized in this article.

24.6. The indemnification provided for by this article shall not be deemed exclusive of any other right to which a person seeking indemnification may be entitled under any by-laws, agreement, resolution of the general meeting of shareholders or of the disinterested supervisory directors or otherwise, both as to actions in his official capacity and as to actions in another capacity while holding such position, and shall continue as to a person who has ceased to be a supervisory director, managing director, officer or agent and shall also inure to the benefit of the heirs, executors and administrators of such a person.

24.7. The company shall have the power to purchase and maintain insurance on behalf of any person who is or was a supervisory director, managing director, officer or agent of the company, or is or was serving at the request of the company as a supervisory director, managing director, officer, employee or agent of another company, a partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity or arising out of his capacity as such, whether or not the company would have the power to indemnify him against such liability under the provisions of this article.

24.8. Whenever in this article reference is being made to the company, this shall include, in addition to the resulting or surviving company also any constituent company (including any constituent company of a constituent company) absorbed in a consolidation or merger which, if its separate existence had continued, would have had the power to indemnify its supervisory directors, managing directors, officers and agents, so that any person who is or was a supervisory director, managing director, officer or agent of such constituent company, or is or was serving at the request of such constituent company as a supervisory director, managing director, officer or agent of another company, a partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this article with respect to the resulting or surviving company as he would have with respect to such constituent company if its separate existence had continued.

General meeting of shareholders.

Article 25.

25.1. The ordinary general meeting of shareholders shall be held each year within six months after the close of the financial year.

25.2. At this general meeting of shareholders shall be dealt with:

a. the written report of the managing board on the course of business of the company and the conduct of its affairs during the past financial year, and the report of the supervisory board on the annual accounts;

b. adoption of the annual accounts and the declaration of dividend in the manner laid down in article 37;

c. granting of discharge to the managing directors for their management during the past financial year and to the members of the supervisory board for their supervision on such management;

d. filling vacancies in the managing board in accordance with the provisions of article 12;

e. filling vacancies in the supervisory board in accordance with the provisions of article 19;

f. the proposals placed on the agenda by the managing board or by the supervisory board, together with proposals made by shareholders in accordance with the provisions of these articles of association.

Article 26.

26.1. Extraordinary general meetings of shareholders shall be held as often as deemed necessary by the supervisory board and shall be held if one or more shareholders and other persons entitled to attend the meetings of shareholders jointly representing at least one-tenth of the issued share capital make a written request to that effect to the managing board or supervisory board, specifying in detail the business to be dealt with.

26.2. If the managing board or supervisory board fail to comply with a request under paragraph 1 above in such manner that the general meeting of shareholders can be held within six weeks after the request, the persons making the request may be authorized by the President of the Court within whose jurisdiction the company is established to convene the meeting themselves.

26.3. Written requests as referred to in paragraph 1 of this article, section 110, subsection 1, Book 2, Dutch Civil Code and article 28 paragraphs 2 and 3 may not be submitted electronically. Requests as referred to in paragraph 1 of this article, article 28 paragraphs 2 and 3 and section 110, subsection 1, Book 2, Dutch Civil Code shall comply with conditions stipulated by the managing board, subject to the approval of the supervisory board, which conditions shall be posted on the company’s website.

Article 27.

27.1. General meetings of shareholders shall be held in Amsterdam, Haarlemmermeer (Schiphol Airport), Rotterdam or The Hague; the notice convening the meeting shall inform the shareholders and other persons entitled to attend the meetings of shareholders accordingly.

27.2. Notice of general meetings of shareholders shall be given by the managing board or by the supervisory board or by those who according to the law or these articles of association are entitled thereto. The notice shall be given in such manner as shall be authorized or required by law (including but not limited to a written notice, a legible and reproducible message sent by electronic means and an announcement published by electronic means), as well as in accordance with the regulations of a stock exchange where the shares in the company's share capital are officially listed at the company's request. In addition, shareholders and other persons entitled to attend the meetings of shareholders which are registered in the share register of the company shall be notified by letter that the meeting is being convened.

Article 28.

28.1. The notice convening the meeting referred to in the foregoing shall be given with due observance of the statutory notice period.

28.2. The agenda shall contain such business as may be placed thereon by the person(s) entitled to convene the meeting, and furthermore such business as one or more shareholders, representing at least one-tenth of the issued share capital, have requested the managing board or supervisory board to place on the agenda at least five days before the date on which the meeting is convened. Nominations for appointment to the managing board and the supervisory board cannot be placed on the agenda by the managing board. No resolution shall be passed at the meeting in respect of matters not on the agenda.

28.3. Notwithstanding paragraph 2, proposals of persons who are entitled to attend the meetings of shareholders will be included in the agenda, if such proposal is made in writing to the managing board within a period of sixty days before that meeting by persons who are entitled to attend the meetings of shareholders, who solely or jointly, represent at least one per cent (1%) of the company´s issued share capital or a market value of at least fifty million euro (EUR 50,000,000), unless the company determines that such proposal would conflict with substantial interests of the company.

28.4. The notice shall state the business to be transacted as well as the other information prescribed by law and these articles of association.

Article 29.

29.1. General meetings of shareholders shall be presided over by the chairman of the supervisory board or in his absence by the vice-chairman of the supervisory board. In case of absence of the chairman and the vice-chairman of the supervisory board the meeting shall be presided by any other person nominated by the supervisory board.

29.2. Minutes shall be kept of the business transacted at a general meeting of shareholders, which minutes shall be drawn up and signed by the chairman and by a person appointed by him immediately after the opening of the meeting.

29.3. Where the minutes are drawn up before a civil-law notary, the chairman's signature, together with that of the civil-law notary, shall be sufficient.

Article 30.

30.1. All shareholders and other persons entitled to attend the meetings of shareholders are entitled to attend the general meetings of shareholders, to address the general meeting of shareholders and, if applicable, to vote. Subject to the approval of the supervisory board, the managing board may resolve that holders of shares and other persons entitled to attend the meetings of shareholders are authorized to directly take note of the business transacted at the meeting via an electronic means of communication.

The general meeting of shareholders may lay down rules regulating, inter alia, the length of time for which shareholders may speak. In so far as such rules are not applicable, the chairman may regulate the time for which shareholders may speak if he considers this to be desirable with a view to the orderly conduct of the meeting.

30.2. Only if the law does not prescribe a fixed record date, the managing board shall, with due observance of the relevant statutory provisions, determine a record date for the general meeting of shareholders. Persons entitled to attend the meetings of shareholders are those who at the record date have these rights and have been registered as such in a register designated by the managing board for that purpose, regardless of who would have been entitled to attend the general meeting of shareholders if a record date as contemplated in this paragraph had not been determined. The convocation notice for the meeting shall state the record date and the manner in which the persons entitled to attend the meetings of shareholders may register and exercise their rights.

30.3. The managing board may, subject to the approval of the supervisory board, decide that persons entitled to attend the meetings of shareholders and vote thereat may, within a period prior to the general meeting of shareholders to be set by the managing board, which period cannot start prior to the record date as meant in the previous paragraph, cast their votes electronically in a manner to be decided by the managing board and/or by post. Votes cast in accordance with the previous sentence equal votes cast at the meeting.

Article 31.

31.1. Shareholders and other persons entitled to attend the meetings of shareholders may be represented by proxies with written authority. If the meeting rights are exercised in accordance with article 30, paragraph 2, by a person authorized in writing, the proxy with written authority must be received by the person designated by the corporate body convening the general meeting of shareholders no later than at the date as mentioned in the notice convening the meeting.

31.2. All matters regarding the admittance to the general meeting of shareholders, the exercise of voting rights and the result of votings, as well as any other matters regarding the affairs at the general meeting of shareholders shall be decided upon by the chairman of that meeting, with due observance of the provisions of section 13, Book 2, Dutch Civil Code.

Article 32.

32.1. Unless otherwise stated in these articles, resolutions shall be adopted by simple majority of votes of the shareholders having the right to vote in a meeting of shareholders where at least fifteen per cent of the issued capital is present or represented. Blank and invalid votes shall not be counted. The chairman shall decide on the method of voting and on the possibility of voting by acclamation.

32.2. Where the voting concerns appointments, further polls shall, if necessary, be taken until one of the nominees has obtained a simple majority, such with due observance of the provision of paragraph 1 of this article. The further poll or polls may, at the chairman's discretion, be taken at a subsequent meeting.

32.3. Except as provided in paragraph 2, in case of an equality of the votes cast the relevant proposal shall be deemed to have been rejected.

Article 33.

33.1. At the general meeting of shareholders each share shall confer the right to cast one vote.

33.2. The managing board may, subject to the approval of the supervisory board, resolve that each person entitled to attend and vote at the meetings of shareholders is authorized to vote via an electronic means of communication, either in person or by a person authorized in writing, provided that such person can be identified via the electronic means of communication and furthermore provided that such person can directly take note of the business transacted at the meeting. The managing board may, subject to the approval of the supervisory board, attach conditions to the use of the electronic means of communication, which conditions shall be announced in the notice convening the general meeting of shareholders and shall posted on the company's website.

Meetings of holders of shares of a particular class.

Article 34.

34.1. A meeting of holders of preference shares shall be held whenever required by virtue of the provisions of these articles of association and further whenever the managing board and/or the supervisory board shall decide, and also whenever one or more holders of preference shares so request the managing board and/or the supervisory board in writing, stating the items of business to be transacted.

If after receipt of a request as referred to in the preceding sentence neither the managing board nor the supervisory board has called a meeting in such a way that the meeting is held within four weeks of receipt, the applicant(s) shall be authorized to call the meeting themselves, with due observance of the relevant provisions of these articles of association.

34.2. The managing directors and the supervisory directors shall have the right to attend meetings of holders of preference shares; in that capacity they shall have an advisory vote. Notice of a meeting of holders of preference shares shall be given by letters sent to all holders of preference shares. The notice shall state the items of business to be transacted.

34.3. Articles 27 up to and including 33 shall apply accordingly to meetings of holders of preference shares, with the proviso that the notice convening such a meeting shall only take place by letter or — if the relevant person entitled to attend such meeting so agrees — via a legible and reproducible message sent by electronic mail to the address notified for this purpose to the company by the relevant person entitled to attend such meetings.

34.4. At a meeting of holders of preference shares at which the entire issued capital in shares of that class is represented, valid resolutions may be adopted, provided that they are passed by unanimous vote, even if the requirements in respect of the place of the meeting, the manner of notice, the term of notice and the stating in the notice of the items of business to be transacted, have not been observed.

34.5. All resolutions which may be adopted by the holders of preference shares at a meeting may also be adopted outside a meeting.

Resolutions may be adopted outside a meeting only if all holders of preference shares and other persons entitled to vote on preference shares have declared themselves in favor of the proposal by letter or telecopier.

The resolution shall be recorded in the minute book of the meeting of holders of preference shares by a managing director.

34.6. The managing board may, subject to the approval of the supervisory board, resolve that written resolutions as referred to in the preceding paragraph of this article may be adopted via an electronic means of communication. The managing board may, subject to the approval of the supervisory board, attach conditions to the use of the electronic means of communication, which conditions shall be notified in writing to all holders of preference shares and other persons entitled to vote on preference shares.

34.7. A meeting of holders of ordinary shares shall be held whenever required by virtue of the provisions of these articles of association. Articles 27 up to and including 33 shall apply accordingly to meetings of holders of ordinary shares.

Annual accounts, annual report and distributions.

Article 35.

35.1. The financial year shall run from the first day of January up to and including the thirty-first day of December.

35.2. Annually, within four months after the close of each financial year, the managing board shall draw up the annual accounts. Within this period the managing board shall also draw up the annual report.

Article 36.

36.1. The supervisory board shall cause the annual accounts to be examined by one or more registered accountant(s) designated for the purposes by the general meeting of shareholders or other experts designated for the purpose in accordance with section 393, Book 2, Dutch Civil Code, and shall report to the general meeting of shareholders on the annual accounts, notwithstanding the provisions of the law. The accountant, as referred to in this paragraph, is authorized to attend the general meeting of shareholders in which a resolution about the adoption of the annual accounts shall be adopted and to address that meeting.

36.2. Annually, no later than four months after the close of the financial year the managing board, in accordance with the statutory obligations to which the company is subject, shall make generally available: (i) the annual accounts, (ii) the annual report, (iii) the accountant's statement as referred to in paragraph 1 of this article, as well as (iv) other information which, under or pursuant to the law, must be made generally available together with the annual accounts.

Profit and loss.

Article 37.

37.1. Distribution of profits pursuant to this article shall be made following approval of the annual accounts which show that the distribution is permitted.

The company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued capital and the reserves which must be maintained by law.

A deficit may only be offset against the reserves prescribed by law in so far as permitted by law.

37.2. a. From the profits shall first, if possible, be distributed on the preference shares the percentage as specified hereinafter under b below of the compulsory amount paid up or to be paid up on these shares as at the commencement of the financial year for which the distribution is made or — if the shares are issued during that financial year — as at the day on which such shares are issued.

b. The percentage as referred to above under a shall be equal to Euribor (Euro Interbank Offered Rate) for deposit loans with a term of one year, established per the day which is two bank business days prior to the day of the first issue of the preference shares, such at eleven o'clock ante meridiem Central European Time, increased with a rise of maximum one hundred and fifty basis points, determined by the managing board, subject to the approval of the supervisory board.

If in the course of the financial year for which the distribution is made the compulsory amount to be paid on the preference shares has been decreased or, pursuant to a resolution for additional payments, increased, then the distribution shall be decreased or, if possible, increased by an amount equal to the aforementioned percentage of the amount of the decrease or increase as the case may be, calculated from the date of the decrease or from the day when the additional payment became compulsory, as the case may be.

c. If and to the extent that the profits are not sufficient to make the distribution as referred to in this article in full, the deficit shall be distributed from the reserves to the extent by doing so paragraph 1 of this article is not contravened.

If and to the extent the distribution as referred to in the first sentence of this paragraph also cannot be made out of the reserves, then out of the profits realized in the following years first such a distribution shall be made to the holders of preference shares to make good for the entire deficit before the provisions of the following paragraphs shall apply.

d. No further distributions shall be made on the preference shares then as determined in this article and article 39.

e. If the profits for a financial year are being determined and if in that financial year one or more preference shares have been cancelled with repayment, the persons who according to the shareholders' register as referred to in article 8 at the time of such cancellation were recorded as the holders of these preference shares, shall have an inalienable right to a distribution of profit as described hereinafter. The profits which, if sufficient, shall be distributed to such a person shall be equal to the amount of the distribution to which he would be entitled pursuant to the provisions of this paragraph if at the time of the determination of the profits he had still been the holder of the preference shares as referred to above, calculated on a time-proportionate basis for the period during which he held preference shares in that financial year, which distribution shall be decreased with the amount of the distribution which is made on the preference shares in accordance with article 39 paragraph 1.

f. If in the course of any financial year preference shares have been issued, the dividend on preference shares for that financial year shall be decreased time-proportionately calculated over the period that the relevant preference shares were not issued.

37.3. Upon proposal of the managing board, the supervisory board shall determine what portion of the remaining profits shall be retained by way of reserve.

37.4. The portion of the profits that remains after application of paragraph 2 and paragraph 3, shall be at the disposal of the general meeting of shareholders, with due observance of the provisions of article 38, paragraph 2.

37.5. The general meeting of shareholders is empowered either to distribute the profits in cash or in kind or to withhold distribution of the said portion of the profit in whole or in part.

Article 38.

38.1. The supervisory board independently and the general meeting of shareholders upon the proposal of the supervisory board shall each be entitled to resolve to make distributions charged to the share premium reserve or charged to the other reserves shown in the annual accounts not prescribed by the law, with due observance of the provisions of paragraph 2 of this article and section 105, paragraph 4, Book 2, Dutch Civil Code, provided that the balance of the relevant reserve is not required to make the distribution as referred to in article 37, paragraph 2, sub c, first sentence in conjunction with article 37, paragraph 2, sub a.

38.2. The supervisory board shall be entitled to resolve that distributions, the amount of which distributions has been resolved upon by the general meeting of shareholders, to holders of shares under article 37, article 38, paragraph 1 and article 39, paragraph 1 may be made in full or partially in the form of the issue of shares in the share capital of the company. The distribution to a shareholder according to the preceding sentence shall be made to a shareholder in cash or in the form of ordinary shares in the share capital of the company, or partially in cash and partially in the form of shares in the share capital of the company, such, if the supervisory board so resolves, at the option of the relevant shareholder.

Article 39.

39.1. At its own discretion and subject to section 105, paragraph 4, Book 2, Dutch Civil Code, the supervisory board may resolve to distribute one or more interim distributions on the shares before the annual accounts for any financial year have been adopted at a general meeting of shareholders.

Interim distributions may also be made on either preference shares or ordinary shares.

39.2. In case of a cancellation of preference shares with repayment a distribution on the cancelled shares shall be made on the day of repayment, which distribution shall be calculated in accordance with the provisions of article 37 and over the period up to the day of repayment, such in accordance with section 105, paragraph 4, Book 2, Dutch Civil Code.

Article 40.

40.1. Distributions under articles 37, 38 or 39 shall be payable as from a date to be determined by the supervisory board. The date of payment set in respect of shares for which certificates are outstanding or in respect of type I shares may differ from the date of payment set in respect of shares for which type II share certificates are outstanding.

40.2. Distributions under articles 37, 38 or 39 shall be made payable at a place or places, to be determined by the supervisory board; at least one place shall be designated thereto in the Netherlands.

40.3. The supervisory board may determine the method of payment in respect of cash distributions on type I shares.

40.4. Cash distributions under articles 37, 38 or 39 in respect of shares for which a type II share certificate is outstanding shall, if such distributions are made payable only outside the Netherlands, be paid in the currency of a country where the shares of the company are listed on a stock exchange not being the Euro, converted at the rate of exchange determined by the European Central Bank at the close of business on a day to be fixed for that purpose by the supervisory board. If and in so far as on the first day on which a distribution is payable, the company is unable, in consequence of any governmental action or other exceptional circumstances beyond its control, to make payment at the place designated outside the Netherlands or in the relevant currency, the supervisory board may in that event designate one or more places in the Netherlands instead. In such event the provisions of the first sentence of this paragraph shall no longer apply.

40.5. The person entitled to a distribution under articles 37, 38 or 39 on registered shares shall be the person in whose name the share is registered at the date to be fixed for that purpose by the supervisory board in respect of each distribution for the different types of shares.

40.6. The provisions of article 27 paragraph 2 shall apply accordingly to the notice of distributions and of the dates and places as referred to in the preceding paragraphs of this article.

40.7. Distributions in cash under articles 37, 38 or 39 that have not been collected within five years after they have become due and payable shall revert to the Company.

40.8. In the case of a distribution under article 38, paragraph 2, any shares in the company not claimed within a period to be determined by the supervisory board shall be sold for the account of the persons entitled to the distribution who failed to claim the shares. The period and manner of sale to be determined by the supervisory board, as mentioned in the preceding sentence, shall be notified according to paragraph 6. The net proceeds of such sale shall thereafter be held at the disposal of the above persons in proportion to their entitlement; distributions that have not been collected within five years after the initial distributions in shares have become due and payable shall revert to the company.

40.9. In the case of a distribution in the form of shares in the company under article 38, paragraph 2, on registered shares, those shares shall be added to the share register. A type II share certificate for a nominal amount equal to the number of shares added to the register shall be issued to holders of type II shares.

40.10. The provisions of paragraphs 5 and 6 shall apply equally in respect of distributions — including pre-emptive subscription rights in the event of a share issue — made otherwise than under articles 37, 38 or 39.

Amendments to the articles of association, winding up, liquidation.

Article 41.

41.1. A resolution to alter the articles of association or to wind up the company shall be valid only provided that:

a. the proposal to such a resolution has been proposed to the general meeting of shareholders by the supervisory board;

b. the full proposals have been deposited for inspection by shareholders and other persons entitled to attend meetings of shareholders, at the office of the company as from the day on which the notice is served until the close of that meeting.

41.2. A resolution to amend the articles of association by which the rights conferred on holders of shares of a specific class as such are changed shall require the approval of the relevant class meeting.

Article 42.

42.1. If the company is wound up, the liquidation shall be carried out by any person designated for that purpose by the general meeting of shareholders, under the supervision of the supervisory board.

42.2. In passing a resolution to wind up the company, the general meeting of shareholders shall upon the proposal of the supervisory board fix the remuneration payable to the liquidators and to those responsible for supervising the liquidation.

42.3. The liquidation shall take place with due observance of the provisions of the law. During the liquidation period these articles of association shall, to the extent possible, remain in full force and effect.

42.4. After settling the liquidation, the liquidators shall render account in accordance with the provisions of the law.

42.5. After the liquidation has ended, the books and records of the company shall remain in the custody of the person designated for that purpose by the liquidators during a seven-year period.

Article 43.

From what is left of the company’s assets after all debts have been settled, including any debts incurred in connection with the liquidation, first, if possible, all holders of preference shares shall have returned to them the paid up part of the nominal amount of their preference shares, increased with the missing dividend on the relevant preference shares at the time of liquidation calculated over the period up to and including the day on which the balance is made payable.

The residue shall be divided amongst the holders of ordinary shares *pro rata* to the par value of their respective holdings of ordinary shares.

Article 44.

Any amounts payable to shareholders or due to creditors which have not been claimed within six months after the last distribution was made payable, shall be deposited with the Public Administrator of Unclaimed Debts (*consignatiekas*).

Exhibit 8.1

Subsidiaries and Equity Investments of the Company

The following table lists our consolidated subsidiaries and our percentage ownership as of December 31, 2013:

Legal Seat	Name	Percentage Ownership (Direct or Indirect)
Australia, Sydney	STMicroelectronics PTY Ltd	100
Belgium, Diegem	Proton World International N.V.	100
Brazil, Sao Paulo	South America Comércio de Cartões Inteligentes Ltda	100
Brazil, Sao Paulo	STMicroelectronics Ltda	100
Brazil, Sao Paulo	Incard do Brazil Ltda	50
Canada, Ottawa	STMicroelectronics (Canada), Inc.	100
China, Beijing	STMicroelectronics (Beijing) R&D Co. Ltd	100
China, Shanghai	STMicroelectronics (Shanghai) Co. Ltd	100
China, Shanghai	STMicroelectronics (Shanghai) R&D Co. Ltd	100
China, Shanghai	STMicroelectronics (China) Investment Co. Ltd	100
China, Shenzhen	Shenzhen STS Microelectronics Co. Ltd	60
China, Shenzhen	STMicroelectronics (Shenzhen) Manufacturing Co. Ltd	100
China, Shenzhen	STMicroelectronics (Shenzhen) R&D Co. Ltd	100
Czech Republic, Prague	STMicroelectronics Design and Application s.r.o.	100
Finland, Nummela	STMicroelectronics Finland OY	100
France, Crolles	STMicroelectronics (Crolles 2) SAS	100
France, Grenoble	STMicroelectronics (Grenoble 2) SAS	100
France, Le Mans	STMicroelectronics (Grand Ouest) SAS	100
France, Grenoble	STMicroelectronics (Alps) SAS	100
France, Montrouge	STMicroelectronics S.A.	100
France, Rousset	STMicroelectronics (Rousset) SAS	100
France, Tours	STMicroelectronics (Tours) SAS	100
Germany, Aschheim-Dornach	STMicroelectronics GmbH	100
Germany, Aschheim-Dornach	STMicroelectronics Application GmbH	100
Holland, Amsterdam	STMicroelectronics Finance B.V.	100
Holland, Amsterdam	STMicroelectronics Finance II N.V.	100
Holland, Amsterdam	STMicroelectronics International N.V.	100
Hong Kong	STMicroelectronics Ltd	100
India, New Delhi	STMicroelectronics Marketing Pvt Ltd	100
India, Noida	STMicroelectronics Pvt Ltd	100
Israel, Netanya	STMicroelectronics Ltd	100
Italy, Agrate Brianza	STMicroelectronics S.r.l.	100
Italy, Aosta	Dora S.p.A.	100
Italy, Catania	CO.RI.M.ME.	100
Italy, Naples	STMicroelectronics Services S.r.l.	100
Italy, Torino	ST-POLITO Scarl	75
Japan, Tokyo	STMicroelectronics KK	100
Malaysia, Kuala Lumpur	STMicroelectronics Marketing SDN BHD	100
Malaysia, Muar	STMicroelectronics SDN BHD	100
Malta, Kirkop	STMicroelectronics (Malta) Ltd	100
Mexico, Guadalajara	STMicroelectronics Marketing, S. de R.L. de C.V.	100
Morocco, Casablanca	Electronic Holding S.A.	100
Morocco, Casablanca	STMicroelectronics S.A.S. (Maroc)	100
Philippines, Calamba	STMicroelectronics, Inc.	100
Philippines, Calamba	ST-Ericsson (Philippines), Inc.	100
Philippines, Calamba	Mountain Drive Property, Inc.	40
Singapore, Ang Mo Kio	STMicroelectronics Asia Pacific Pte Ltd	100
Singapore, Ang Mo Kio	STMicroelectronics Pte Ltd	100
Singapore	Veredus Laboratories Pte Ltd	67
Spain, Barcelona	STMicroelectronics Iberia S.A.	100
Sweden, Kista	STMicroelectronics A.B.	100

Legal Seat	Name	Percentage Ownership (Direct or Indirect)
Switzerland, Geneva	STMicroelectronics S.A.	100
Switzerland, Geneva	INCARD S.A.	100
Switzerland, Geneva	ST New Ventures S.A.	100
Thailand, Bangkok	STMicroelectronics (Thailand) Ltd	100
United Kingdom, Marlow	Inmos Limited	100
United Kingdom, Marlow	STMicroelectronics Limited	100
United Kingdom, Bristol	STMicroelectronics (Research & Development) Limited	100
United Kingdom, Marlow	Synad Technologies Limited	100
United States, Coppell	STMicroelectronics Inc.	100
United States, Coppell	Genesis Microchip Inc.	100
United States, Coppell	Genesis Microchip (Delaware), Inc.	100
United States, Coppell	Genesis Microchip LLC	100
United States, Coppell	Genesis Microchip Limited Partnership	100
United States, Coppell	Sage Inc.	100
United States, Coppell	Faroudja, Inc.	100
United States, Coppell	Faroudja Laboratories Inc.	100
United States, Coppell	STMicroelectronics (North America) Holding, Inc.	100
United States, Wilsonville	The Portland Group, Inc.	100

The following table lists our principal equity-method investments and our percentage ownership as of December 31, 2013:

Legal Seat	Name	Percentage Ownership (Direct or Indirect)
France, Grenoble	MicroOLED S.A.S	39.6
Italy, Catania	3Sun S.r.l.	33.3
Switzerland, Geneva	ST-Ericsson SA	50.0

Exhibit 12.1

CERTIFICATION

I, Carlo Bozotti, certify that:

1. I have reviewed this annual report on Form 20-F of STMicroelectronics N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Carlo Bozotti

Carlo Bozotti
President and Chief Executive Officer and
Sole Member of our Managing Board

Date: March 5, 2014

Exhibit 12.2

CERTIFICATION

I, Carlo Ferro, certify that:

1. I have reviewed this annual report on Form 20-F of STMicroelectronics N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Carlo Ferro

Carlo Ferro
Cheif Financial Officer
Executive Vice President Finance, Legal, Infrastructure and Services

Date: March 5, 2014

Exhibit 13.1

CERTIFICATION OF CARLO BOZOTTI, PRESIDENT AND CHIEF EXECUTIVE OFFICER AND SOLE MEMBER OF THE MANAGING BOARD OF STMICROELECTRONICS N.V. AND CARLO FERRO, CHIEF FINANCIAL OFFICER AND EXECUTIVE VICE PRESIDENT, FINANCE, LEGAL, INFRASTRUCTURE AND SERVICES OF STMICROELECTRONICS N.V., PURSUANT TO SECTION 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of STMicroelectronics N.V. (the "Company") on Form 20-F for the period ending December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify that to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Carlo Bozotti

Name: Carlo Bozotti
Title: President and Chief Executive Officer and Sole Member of our Managing Board

Date: March 5, 2014

By: /s/ Carlo Ferro

Name: Carlo Ferro
Title: Chief Financial Officer, Executive Vice President, Finance, Legal, Infrastructure and Services

Date: March 5, 2014

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-109572) of STMicroelectronics N.V. of our report dated March 5, 2014, relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

PricewaterhouseCoopers SA

/s/ Mike Foley	/s/ Claudia Benz
Mike Foley	Claudia Benz

Geneva, Switzerland
March 5, 2014