STMicroelectronics
2Q 2016 Financial Results

July 27, 2016

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Forward Looking Statements

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

- *Uncertain macro-economic and industry trends, which may impact end-market demand for our products;*
- *Customer demand that differs from projections;*
- *The ability to design, manufacture and sell innovative products in a rapidly changing technological environment;*
- *Unanticipated events or circumstances, which may 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;*
- *Changes in economic, social, labor, 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 conflicts, social unrest, labor actions, or terrorist activities;*
- *The Brexit vote and the perceptions as to the impact of the withdrawal of the U.K. may adversely affect business activity, political stability and economic conditions in the U.K., the Eurozone, the EU and elsewhere. While we do not have material operations in the U.K. and have not experienced any material impact from Brexit on our underlying business to date, we cannot predict its future implications;*
- *Financial difficulties with any of our major distributors or significant curtailment of purchases by key customers;*
- *The loading, product mix, and manufacturing performance of our production facilities;*
- *The functionalities and performance of our IT systems, which support our critical operational activities including manufacturing, finance and sales, and any breaches of our IT systems or those of our customers or suppliers;*
- *Variations in the foreign exchange markets and, more particularly, the U.S. dollar exchange rate as compared to the Euro and the other major currencies we use for our operations;*
- *The 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;*
- *The ability to successfully restructure underperforming business lines and associated restructuring charges and 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;*
- *Product liability or warranty claims, claims based on epidemic or delivery failure, or other claims relating to our products, or recalls by our customers for products containing our parts;*
- *Natural events such as severe weather, earthquakes, tsunamis, volcano eruptions or other acts of nature, health risks and epidemics in locations where we, our customers or our suppliers operate;*
- *Availability and costs of raw materials, utilities, third-party manufacturing services and technology, or other supplies required by our operations.*

Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of our business to differ materially and adversely from the forward-looking statements. Certain forward-looking statements can be identified by the use of forward looking terminology, such as "believes," "expects," "may," "are expected to," "should," "would be," "seeks" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions.
Some of these risk factors are set forth and are discussed in more detail in "Item 3. Key Information — Risk Factors" included in our Annual Report on Form 20-F for the year ended December 31, 2015, as filed with the SEC on March 16, 2016. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release as anticipated, believed, or expected. We do not intend, and do not assume any obligation, to update any industry information or forward-looking statements set forth in this release to reflect subsequent events or circumstances.

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Who We Are

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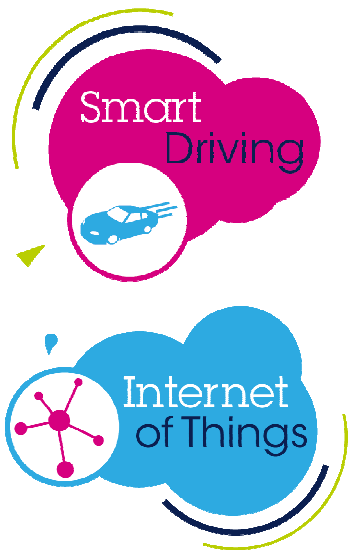
ST stands for life.augmented

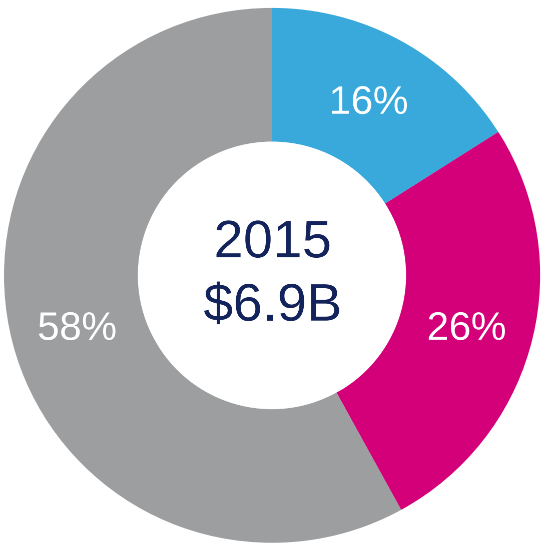
Everywhere microelectronics make a positive contribution
to people's lives, ST is there



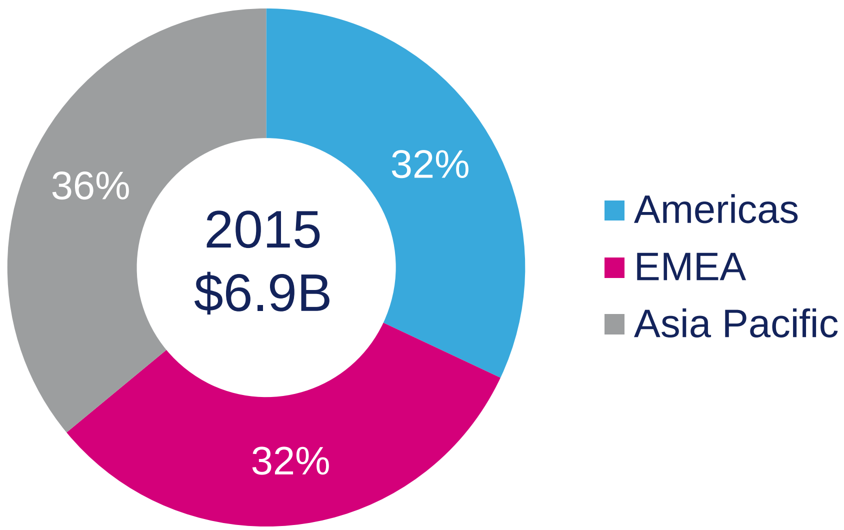
- A global semiconductor leader with an application strategic focus
- 2015 revenues of **$6.90B**
- Listed: NYSE, Euronext Paris and Borsa Italiana, Milan
- Approximately **43,200** employees worldwide
- Approximately **8,300** people working in R&D
- Portfolio of over **9,400** patent families
- **11** manufacturing (front and back-end) sites
- Over **75** sales & marketing offices

A Global Business

revenues by location of shipment (%)



revenues by region of origin (%)



Application Strategic Focus

The leading provider of products and solutions for Smart Driving and the Internet of Things

Smart Driving

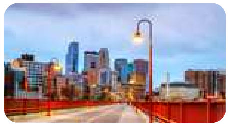
Safer

More connected

Greener

Internet of Things

Smart Industry



Smart Home

Smart City

Smart Things

Addressing a Serviceable Available Market (SAM) of around $150B

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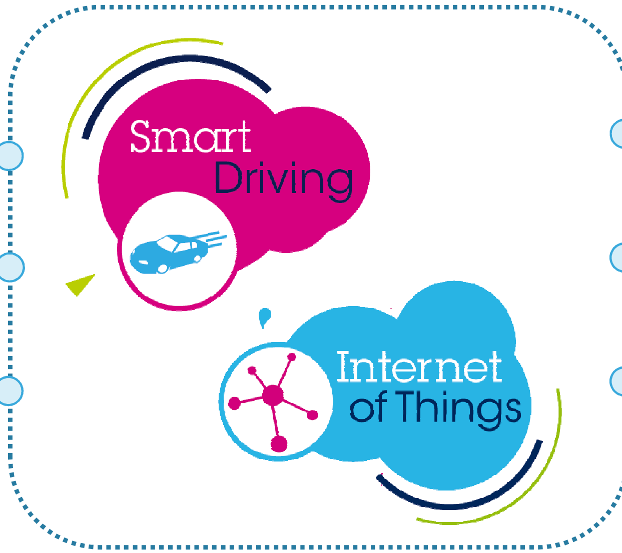
Product Family Focus

The leading provider of products and solutions
for Smart Driving and the Internet of Things

- Dedicated Automotive ICs
- Discrete & Power Transistors
- Analog, Industrial & Power Conversion ICs



- MEMS & Specialized Imaging Sensors
- Digital ASICs
- General Purpose & Secure MCUs EEPROM

Portfolio delivering complementarity for target end markets, and synergies in R&D and manufacturing

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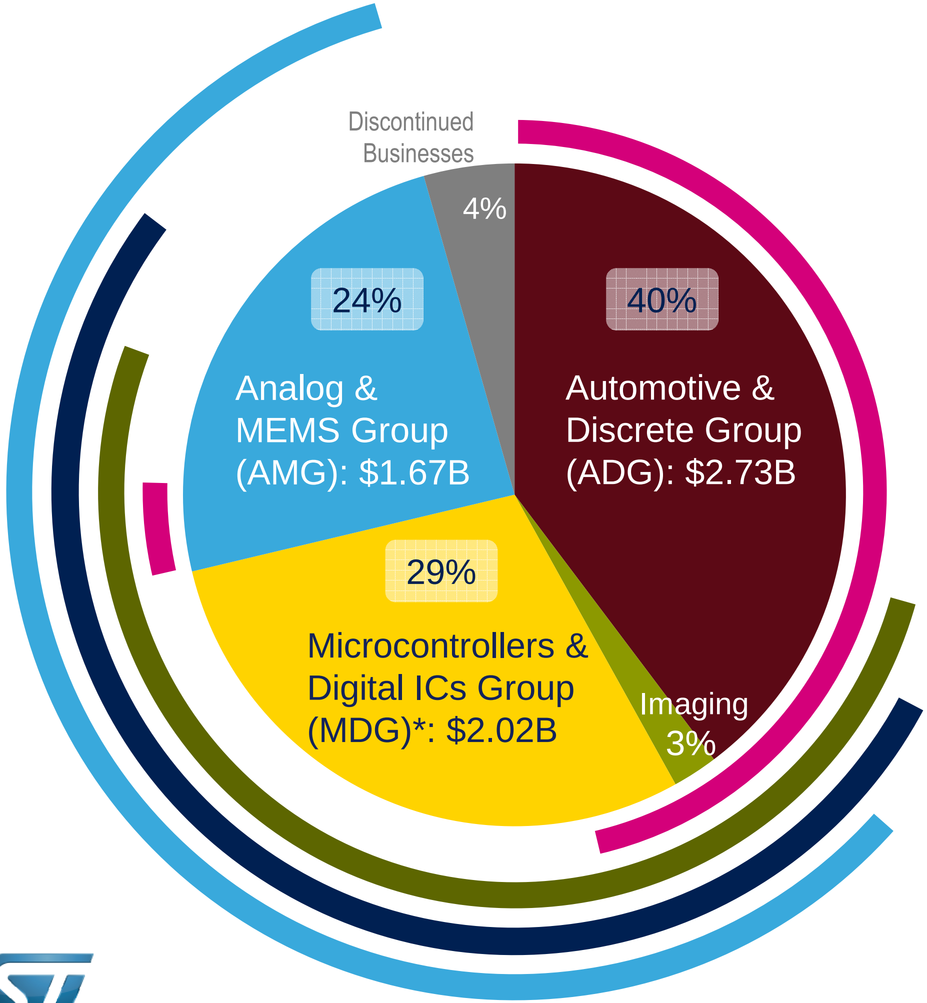
Organization aligned to Strategic Focus

(FY 2015)

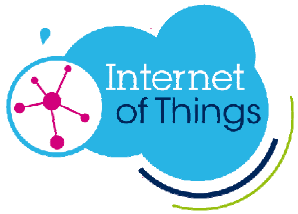


Smart Driving

Smart Industry

Smart Home & City

Smart Things



*MDG excludes Set-Top Box business

2Q16 Highlights

- Net revenues of $1.70 billion
  - Up 5.6% sequentially
  - Strong quarter across all applications in Automotive
  - Record billing performance for general purpose microcontrollers
  - Time-of-Flight specialized image sensors in multiple smartphone models
  - Power discretes started a broad-based recovery
- Gross margin 33.9%
  - Up 10 basis points year-over-year
  - Up 50 basis points sequentially
- Free cash flow of $47 million in 2Q16
  - $78 million in 1H16
- Progress in our set-top-box restructuring plan

Another step towards our goal to return to year-over-year sales growth in the second half of 2016

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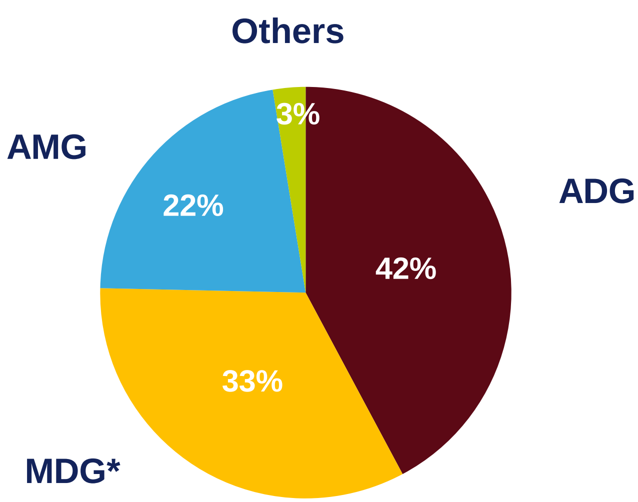
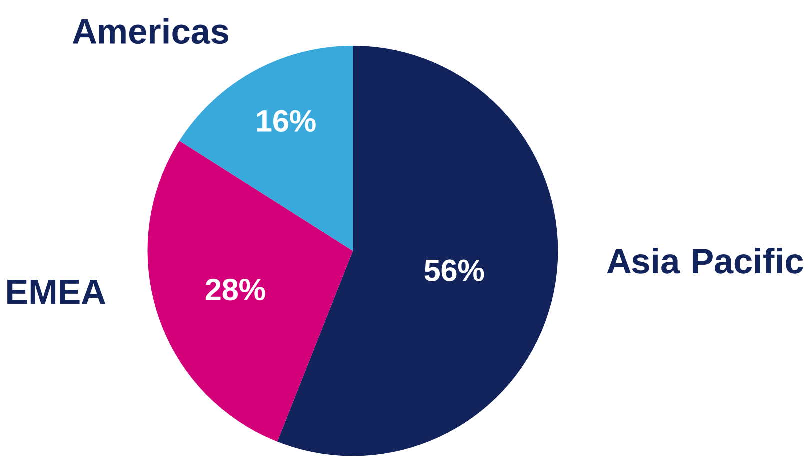
2Q16 Revenues

% by product group*



% by location of order shipment



*MDG includes ST's set-top-box business which is currently undergoing a restructuring.

Financial Performance

In US$M, except EPS	2Q15	1Q16	2Q16	1H15	1H16
Net Revenues	1,760	1,613	1,703	3,465	3,316
Gross Margin	33.8%	33.4%	33.9%	33.5%	33.6%
Operating Income (Loss) before impairment, restructuring*	33	(5)	40	43	35
Operating Margin before impairment, restructuring*	1.9%	(0.3%)	2.3%	1.2%	1.0%
Net Income – Reported	35	(41)	23	12	(18)
EPS Diluted	0.04	(0.05)	0.03	0.01	(0.02)
Adjusted EPS Diluted*	0.06	(0.02)	0.04	0.07	0.02
Free Cash Flow*	53	31	47	94	78
Net Financial Position	459	439	426	459	426
Effective Exchange Rate €/$	1.17	1.10	1.12	1.20	1.11

*See appendix

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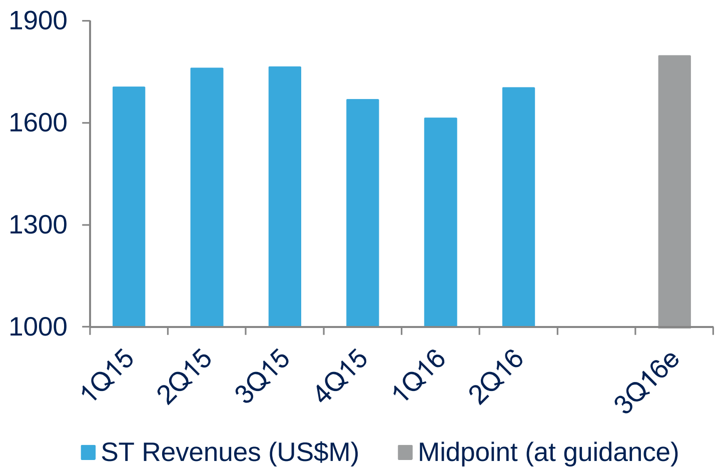
ST Revenues

2Q16 Revenues = $1.70B



2Q16 up 5.6% sequentially

- ADG up 7.5% driven by strong recovery in demand for power discrete and continued strength in automotive
- MDG up 4.6% driven by general purpose MCUs and Digital ASICs for networking applications
- AMG up 1.8% driven by analog partially offset by lower sales of MEMS

2Q16 down 3.2% y-o-y

- Down 1.7% excluding discontinued businesses
- Automotive and microcontrollers strong again with revenues up about 6% and 4%, respectively
- Power discrete, due to weaker market conditions and Digital, reflecting the discontinued product lines, both down
- AMG down 15.4% mainly due to wireless and computer peripherals applications

3Q16 revenue outlook

- Expected to increase sequentially by about 5.5% (+/- 3.5%)

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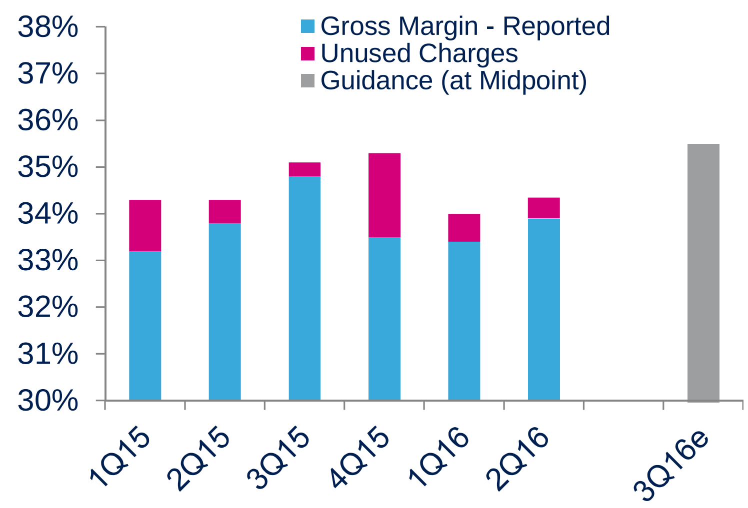
Gross Margin Evolution

2Q16 Gross Margin = 33.9%

Up 50 basis points sequentially

- Mainly due to manufacturing efficiencies and improved product mix partially offset principally by price pressure

About 45 basis points negative impact of unused capacity charges



3Q16 outlook

- About 35.5% +/- 2.0%
- Reflects unsaturation charges negatively impacting gross margin by about 65 basis points

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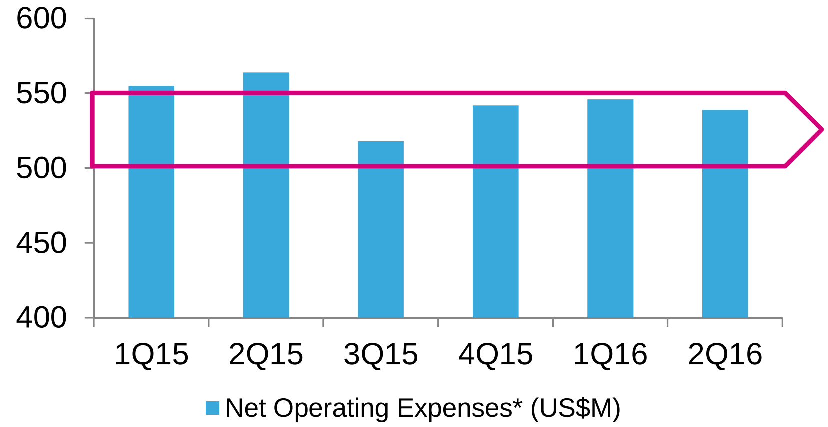
Net Operating Expenses*

Net Operating Expenses

2Q16 combined SG&A and R&D at $565M

- Down $6M sequentially benefitting from lower calendar days and the initial benefits of the set-top-box restructuring plan, partially offset by unfavorable currency effects, net of hedging
- $539M net of R&D grants



Net Operating Expenses Mid-term Target of $500-$550M
Upon Completion of Set-Top Box Restructuring

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* Net Operating Expenses: R&D + SG&A – recurring R&D grants

Plan for Set-Top Box Business

- Global workforce review
  - Redeploy ~600 to accelerate product development principally in digital automotive and microcontrollers
  - Restructure ~1,400
- Annualized savings at plan completion estimated at $170M per year
  - ~60% expected to be achieved by end of 2016
  - ~85% expected to be achieved by end of 2017
  - Remaining savings depend on the lifespan of the residual products
- Restructuring cost estimated at $170M

Status end of 2Q16

- Plan on-track
- Plan restructuring costs of $35M recorded in 1H16
- About $65M of annualized savings achieved exiting 2Q16

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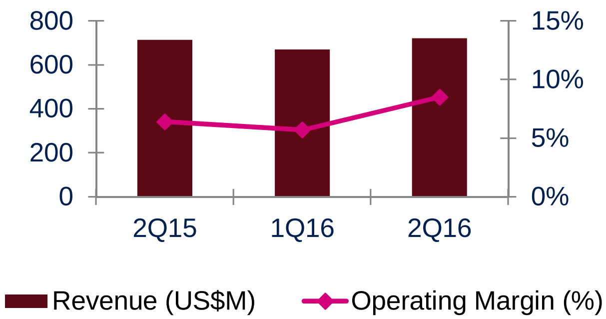
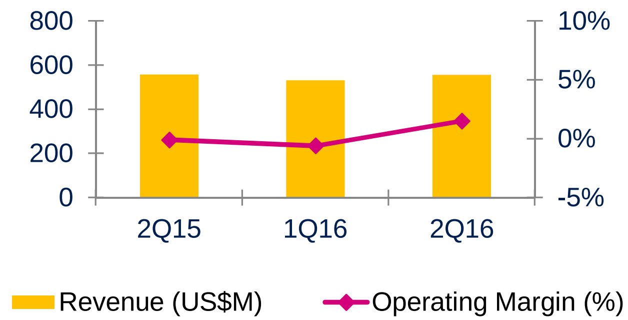
Product Group Results

Automotive and Discrete
2Q16 Operating Margin = 8.5%

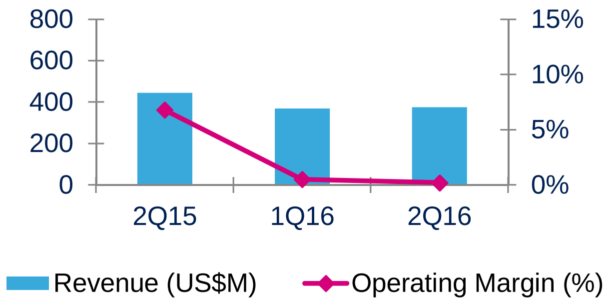


Microcontrollers and Digital ICs
2Q16 Operating Margin = 1.5%



MDG includes ST's set-top-box business

Analog and MEMS
2Q16 Operating Margin = 0.2%



Others
2Q16 Loss = ($31M)

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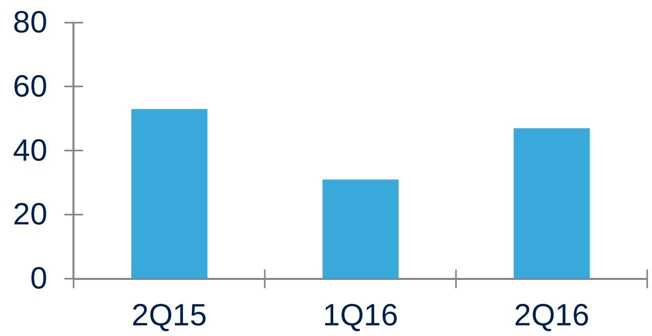
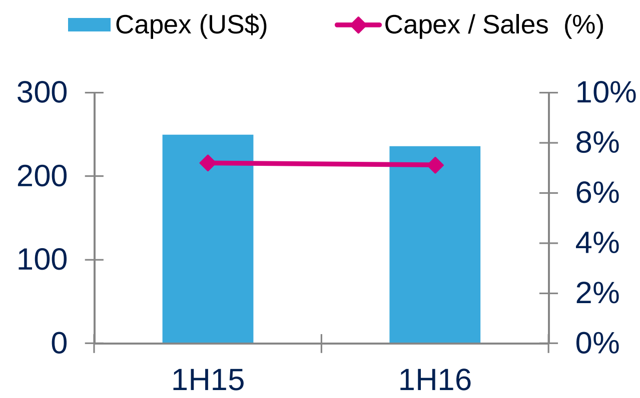
Financial Flexibility

Free Cash Flow* (US$M)



Capital Expenditures (US$M)



End of period (US$M)	July 2 2016	April 2 2016	June 27 2015
Total Liquidity	2,027	2,040	2,241
Total Financial Debt	(1,601)	(1,601)	(1,782)
Net Financial Position*	**426**	**439**	**459**

*See appendix

Profitability Drivers & Opportunities

2015 Operating Results by Product Group

	ADG	AMG	MDG	Others
2015 Operating Results	7.1%	6.5%	12.7% (Set-Top Box -$250M)	-$157M

	ADG	AMG	MDG	Others
Leverage on Revenue Growth	✓	✓	✓	✓
Fab Loading				✓
Technology Mix in Crolles 12” (eNVM)	✓		✓	✓
Wafer Cost				
6” to 8” conversion in Power and Analog Fabs	✓	✓		
8” to 12” Products Evolution		✓	✓	
Assembly Cost and Yields	✓	✓	✓	✓
Value-add and Differentiated New Products	✓	✓	✓	✓
Product Mix				
Low Margin Discontinued Products (STB, Camera mod)			✓	✓
Execution of Set-Top Box Restructuring			✓	
Reduce Net Expenses				
Favorable Currency Effects	✓	✓	✓	✓
Mid-term Target	>10%	Mid-high single digit %	>10%	Profit

3Q16 Outlook

- **The strategic choices we have made position us for a strong third quarter. Our backlog is currently underpinned by a healthy demand in the markets we serve. This makes us confident we can grow revenues sequentially and, in H2 2016, year-over-year. We expect that in the second half of 2016, power discretes and AMG will restart year-over-year growth and that automotive, microcontrollers and imaging will continue their positive revenue momentum. At the same time we remain vigilant due to the macro-economic uncertainties, especially in Europe, which could impact overall GDP and semiconductor demand.”**

- **Expects: 3Q16**
  - **Revenues to increase about 5.5% on a sequential basis (plus or minus 3.5%)**
  - **Gross margin to be about 35.5% (plus or minus 2.0%) reflecting unsaturation charges negatively impacting gross margin by about 65 basis points.**

Outlook based on an assumed effective currency exchange rate of approximately $1.12= €1.00 for 3Q16 and includes the impact of existing hedging contracts. 3Q16 will close on October 1, 2016

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Appendix

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Product Group Data

In 1Q16, ST realigned its product families into three product groups: Automotive and Discrete Group (ADG); Analog and MEMS Group (AMG) and Microcontrollers and Digital ICs Group (MDG). MDG includes ST's set-top-box business which is currently undergoing a restructuring targeting annualized savings of $170 million upon completion. All prior-period amounts have been retrospectively aligned to the 2016 reporting segments.

Million US$	1Q15	2Q15	3Q15	4Q15	FY15	1Q16	2Q16
Automotive and Discrete Group (ADG)							
- Net Revenues	674	714	706	637	2,731	671	**721**
- Operating Income (Loss)	36	46	68	44	194	39	**61**
Analog and MEMS Group (AMG)							
- Net Revenues	445	445	411	370	1,671	369	**376**
- Operating Income (Loss)	37	30	34	8	109	2	**1**
Microcontrollers and Digital ICs Group (MDG)							
- Net Revenues	530	558	590	614	2,292	532	**556**
- Operating Income (Loss)	(28)	(1)	22	36	29	(3)	**9**
Others *							
- Net Revenues	56	43	57	47	203	41	**50**
- Operating Income (Loss)	(64)	(63)	(33)	(63)	(223)	(71)	**(43)**
Total							
- Net Revenues	**1,705**	**1,760**	**1,764**	**1,668**	**6,897**	**1,613**	**1,703**
- Operating Income (Loss)	**(19)**	**12**	**91**	**25**	**109**	**(33)**	**28**

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* See appendix

Pre-Tax Items to Adjusted Earnings*

OPERATING RESULT

NET EARNINGS

In US$M	2Q15	1Q16	2Q16
U.S. GAAP Net Earnings	35	(41)	23
Impairment & Restructuring	21	28	12
Estimated Income Tax Effect	(1)	(3)	(2)
Adjusted Net Earnings*	55	(16)	33

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* See appendix

Appendix

- **Free cash flow** is defined as net cash from operating activities minus net cash from (used in) investing activities, excluding payment for purchases (proceeds from the sale of) marketable securities and net cash variation for joint venture deconsolidation. We believe free cash flow provides useful information for investors and management because it measures our capacity to generate cash from our operating and investing activities to sustain our operating activities. Free cash flow is not a U.S. GAAP measure and does not represent total cash flow since it does not include the cash flows generated by or used in financing activities. In addition, our definition of free cash flow may differ from definitions used by other companies.

- **Net financial position** resources (debt) represents the balance between our total financial resources and our total financial debt. Our total financial resources include cash and cash equivalents, marketable securities, short-term deposits and restricted cash, and our total financial debt includes short term borrowings, current portion of long-term debt and long-term debt, all as reported in our consolidated balance sheet. We believe our net financial position provides useful information for investors because it gives evidence of our global position either in terms of net indebtedness or net cash position by measuring our capital resources based on cash, cash equivalents and marketable securities and the total level of our financial indebtedness. Net financial position is not a U.S. GAAP measure.

- **Operating income before impairment and restructuring charges** excludes impairment, restructuring charges and other related closure costs. It is used by management to help enhance an understanding of ongoing operations and to communicate the impact of the excluded items.

- **Adjusted net earnings and earnings per share (EPS)** are used by our management to help enhance an understanding of ongoing operations and to communicate the impact of the excluded items like impairment, restructuring charges and other related closure costs, net of the relevant tax impact.

- **Net revenues of "Others"** includes revenues from sales of Imaging Product Division, Subsystems, assembly services, and other revenue. **Operating income (loss) of "Others"** includes items such as unused capacity charges, impairment, restructuring charges and other related closure costs, phase out and start-up costs, and other unallocated expenses such as: strategic or special research and development programs, certain corporate-level operating expenses, patent claims and litigations, and other costs that are not allocated to product groups, as well as operating earnings of the Imaging Product Division, Subsystems and other products. "Others" includes $10 million, $30 million, and $19 million of unused capacity charges in the first quarter of 2016 and fourth and first quarters of 2015, respectively; and $28 million, $4 million, and $29 million of impairment, restructuring charges, and other related closure costs in the first quarter of 2016 and fourth and first quarters of 2015, respectively.

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