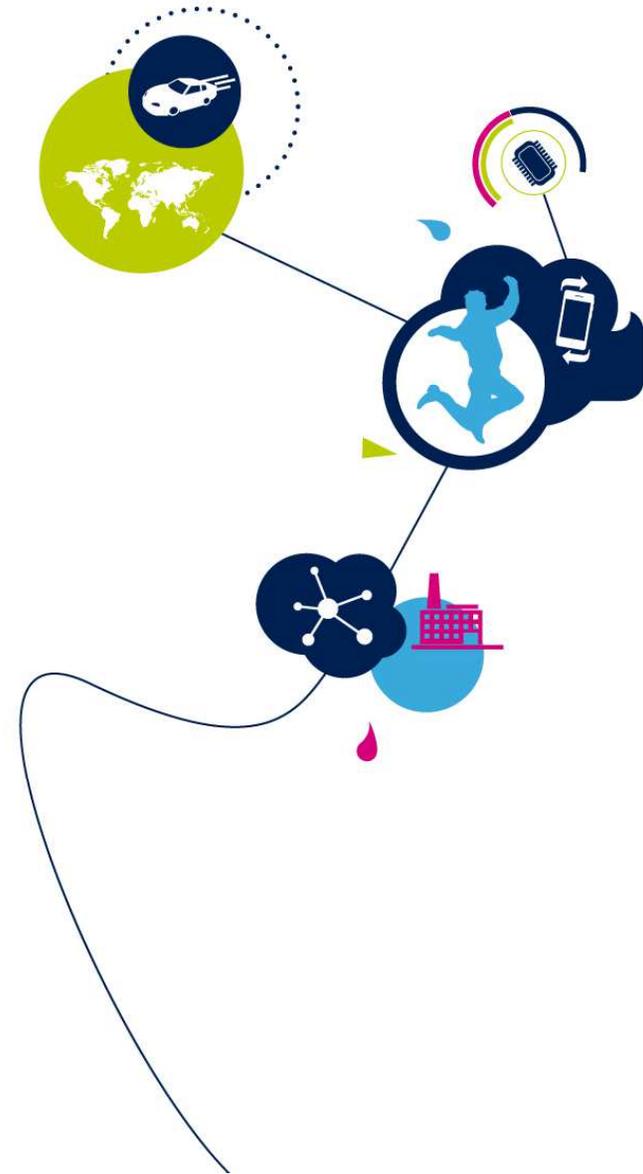


# STMicroelectronics Q1 2019 Financial Results

April 24, 2019



# Forward Looking Information

*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:*

- *Changes in global trade policies, including the adoption and expansion of tariffs and trade barriers, that could affect the macro-economic environment and adversely impact the demand for our products;*
- *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;*
- *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;*
- *Unanticipated events or circumstances, which may impact our ability to execute our plans and/or meet the objectives of our R&D and manufacturing programs, which benefit from public funding;*
- *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 and/or our required volume to fulfill capacity reserved with suppliers or third party manufacturing providers;*
- *Availability and costs of equipment, raw materials, utilities, third-party manufacturing services and technology, or other supplies required by our operations;*
- *The functionalities and performance of our IT systems, which are subject to cybersecurity threats and 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;*
- *Theft, loss, or misuse of personal data about our employees, customers, or other third parties, and breaches of global and local privacy legislation, including the EU's General Data Protection Regulation ("GDPR");*
- *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;*
- *Changes in our overall tax position as a result of changes in tax rules, new or revised legislation, 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;*
- *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 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;*
- *Industry changes resulting from vertical and horizontal consolidation among our suppliers, competitors, and customers; and*
- *The ability to successfully ramp up new programs that could be impacted by factors beyond our control, including the availability of critical third party components and performance of subcontractors in line with our expectations.*

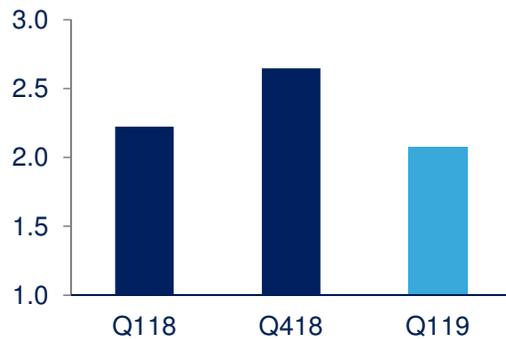
*Such forward-looking statements are subject to various risks and uncertainties, which may cause actual results and performance of our business to differ materially and adversely from the forward-looking statements. Certain forward-looking statements can be identified by the use of forward looking terminology, 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, 2018, as filed with the SEC on February 28, 2019. 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.*

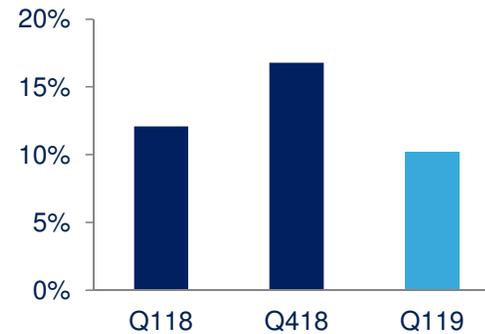
- Q119 revenues and gross margin performed as anticipated, amid softened market dynamics
  - Revenues at \$2.08 billion and gross margin at 39.4%
  - Solid level of profitability maintained with operating margin at 10.2% and net income at \$178 million
- Q219 guidance at midpoint: net revenues up 2.4% Q/Q and gross margin of about 38.5%
- For FY19, net revenues expected to be in the range of about \$9.45 billion to \$9.85 billion
  - Strong sequential growth planned in H219 compared to H119 across Industrial, Automotive and Personal Electronics end markets
  - Our plan is taking into account engaged customer programs and new product introductions, and assumes improving market conditions
- Actions taken to align inventories and moderate our capital spending
  - Capex plan for FY19 now moderated to \$1.1 - \$1.2 billion
- Cash dividend of \$0.24 per common share payable in equal quarterly installments proposed to the 2019 Annual General Meeting of Shareholders

# Q119 Financial Highlights

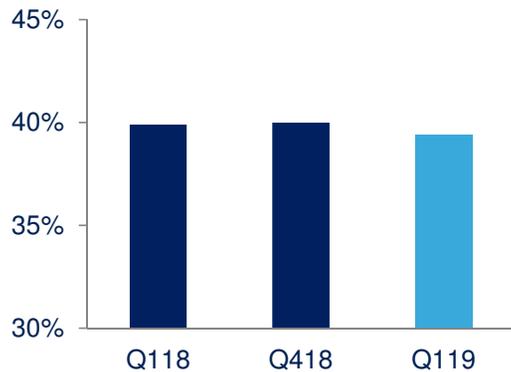
**Revenues = \$2.08B**



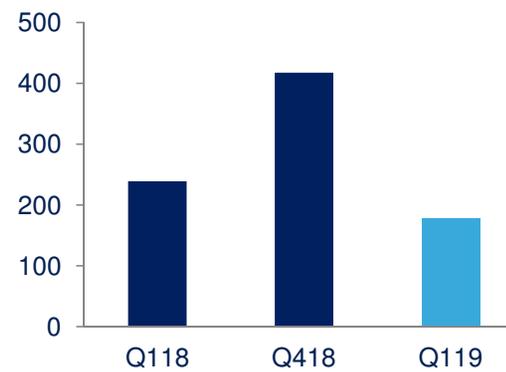
**Operating Margin = 10.2%**



**Gross Margin = 39.4%**

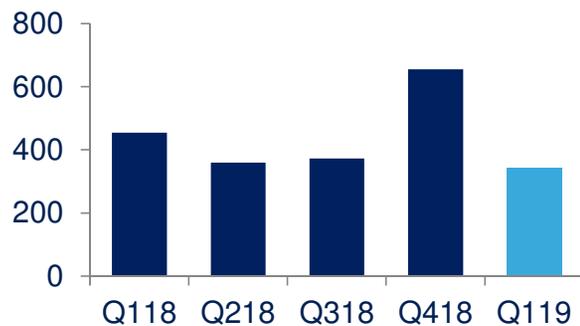


**Net Income = \$178M**

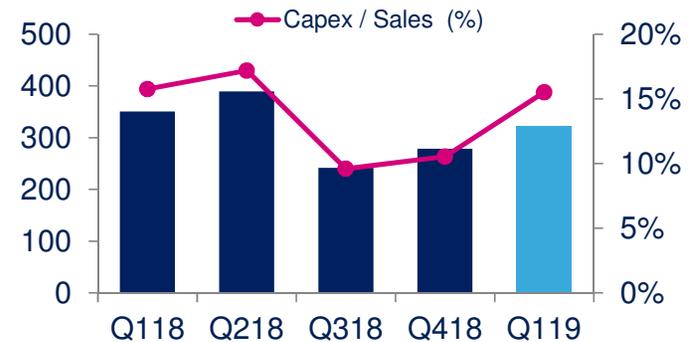


# Financial Flexibility

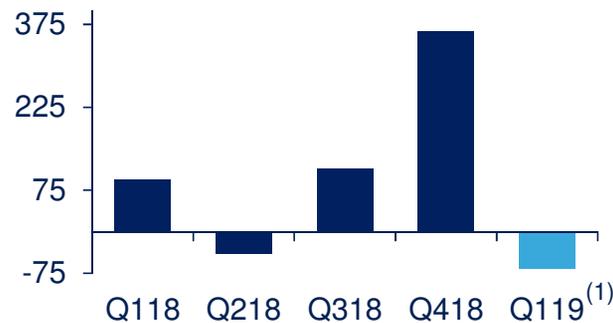
**Q119 Net Cash From Operating Activities = \$341M**



**Q119 Capex = \$322M**



**Q119 Free Cash Flow\* = -\$67M**



(1) After the cash outflow of \$76 million for the acquisition of 55% of Norstel's share capital.

\*Non-U.S. GAAP measure. See Appendix for additional information explaining why the Company believes these measures are important.



# Q219 Outlook

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Net revenues expected to **increase about 2.4%** sequentially, plus or minus 350 basis points

Gross Margin of **about 38.5%**, plus or minus 200 basis points

- This outlook is based on an assumed effective currency exchange rate of approximately \$1.14 = €1.00 for the 2019 second quarter and includes the impact of existing hedging contracts
- The second quarter will close on June 29, 2019

# Q119 Automotive Highlights

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Announced agreement to acquire the wafer manufacturer Norstel, on top of the multi-year supply agreement already announced with Cree

ADG



Started to provide global carmakers with samples of our ACEPACK™ Drive module with SiC embedded

ADG



Wins for various electric car and charging designs with smart-charging controllers, smart power products and a 32-bit safety MCU for EV Battery Management System

ADG



Intel-Mobileye won a program for the EyeQ5 from a major European carmaker

ADG



Won a major project for the SPC58 32-bit MCU family in a multifunction body system from a Japanese Tier1

ADG

# Q119 Industrial Highlights



Launch of first STM32 Microprocessor for industrial applications. Extended STM32 ecosystem with new Artificial Intelligence features & USB-C support



Launched sensor device with embedded Machine Learning core for machine vibration detection. Wins in asset tracking with industrial-grade sensors



Wins with Power Discrete such as high-temperature thyristors and triacs, SiC MOSFETs and other high-voltage solutions in high-efficiency power applications



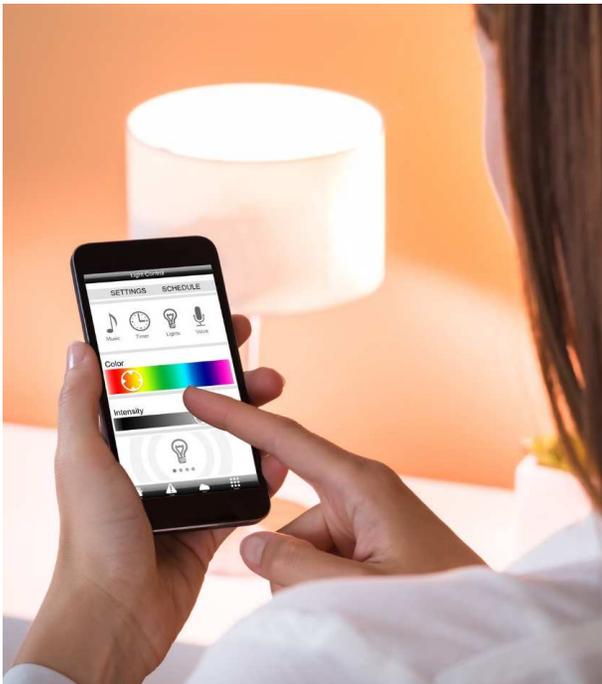
Design wins for Bluetooth products in industrial IoT-related applications



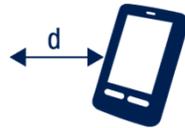
Application-specific IC awards for powerline communication for smart solar applications & wins with ultrasonic products for medical products



# Q119 Personal Electronics Highlights



Multiple wins for motion and pressure sensors in the flagship models from top smartphone and wearables manufacturers



Wins with FlightSense™ Time-of-Flight proximity and ranging sensors in flagship smartphones, drones, robots, and other applications



Design win with with a tiny motor driver in a smartphone from a major Chinese customer



Design wins for Smart Power and analog products for platforms from major smartphone suppliers



Design wins for standard EEPROM for camera modules from major smartphone manufacturers



# Takeaways

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- During Q119, we executed substantially in line with our expectations
- For Q219, we plan to return to sequential revenue growth
- We plan for strong sequential growth in the second half of 2019 across Industrial, Automotive and Personal Electronics end markets
- We are aligning our production with the expected demand and moderating our Capex for FY19
- We expect to maintain a solid capital structure

Our objective in 2019 is to outperform our served market  
and deliver sustainable profitability